Red Herring Prospectus

Standard Chartered PLC

(Incorporated in England and Wales on 18 November 1969 and registered as a public limited company under company number 00966425. The Company changed its name from Standard Chartered Bank Public Limited Company to Standard Chartered PLC on 1 January 1985.)

Registered Office: 1 Aldermanbury Square, London EC2V 7SB

Principal Place of Business in the UK: 1 Basinghall Avenue, London EC2V 5DD

Company Secretary: Annemarie Durbin

Compliance Officer: Kanchan Bhave

Tel: +44 (0)20 7885 8888; Fax: +44 (0)20 7885 7337; Website: www.standardchartered.com; Email: group-corporate.secretariat@sc.com

ISSUE OF 240,000,000 INDIAN DEPOSITORY RECEIPTS (“IDRs”) AT AN ISSUE PRICE OF Rs. [●]* PER IDR WITH EVERY 10 IDRS REPRESENTING ONE SHARE OF STANDARD CHARTERED PLC OF US$0.50 NOMINAL VALUE AGGREGATING UP TO Rs. [●] MILLION (THE “ISSUE”).

THE PRICE BAND, RETAIL DISCOUNT AND THE MINIMUM BID LOT WILL BE DECIDED BY THE COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED AT LEAST ONE BUSINESS DAY PRIOR TO THE BID/ISSUE OPENING DATE

In the case of revision in the Price Band, the Bid/Issue Period will be extended by at least three additional Business Days after revision of the Price Band subject to the Bid/Issue Period not exceeding 10 Business Days. Any revision in the Price Band and the Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members.

All investors may participate in this Issue through an Application Supported by Blocked Amount (“ASBA”) process providing details of the ASBA Account in which the Bid Amount will be blocked by the Self Certified Syndicate Bank. For details, see the section titled “*Issue Procedure*” on page 386 of this Red Herring Prospectus.

The IDRs have not been and will not be registered under the US Securities Act or any state securities laws in the US and may not be offered or sold within the US (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. Accordingly, the IDRs are being offered outside of the US in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

The distribution of this Red Herring Prospectus and the offering or sale of the IDRs in certain jurisdictions other than India may be restricted by law. Persons into whose possession this Red Herring Prospectus comes should inform themselves about, and observe, any such restriction. Failure to comply with any such restriction may constitute a violation of the securities laws of such jurisdiction. This Red Herring Prospectus does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this Red Herring Prospectus or otherwise in any jurisdiction in which such offer or solicitation is unlawful. This Red Herring Prospectus has been prepared for the purposes of complying with Indian law and the information disclosed may not be the same as that which would have been disclosed if this Red Herring Prospectus had been prepared in accordance with the laws of jurisdictions outside India.

In accordance with Regulation 98 of the SEBI Regulations, the Issue is being made through a 100% Book Building Process where at least 50% of the Issue will be Allotted to QIBs on a proportionate basis. Provided that the Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis out of which one-third shall be reserved for domestic Mutual Funds. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Furthermore, not less than 18% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders. Further, not less than 2% of the Issue shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received from them at or above the Issue Price, in the Employee Portion.

Under-subscription, if any, in any category except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of IDRs representing the underlying Shares of the Company, there has been no formal market for the IDRs. No assurance can be given regarding active and/or sustained trading in the IDRs of the Company or regarding the price at which the IDRs will be traded after listing.

GENERAL RISKS

The IDRs are of a specialist nature and should only be bought and traded by investors who are particularly knowledgeable in investment matters. In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of the Issue, including the risks involved. For a discussion of certain factors that should be considered in connection with an investment in the IDRs, see the section titled “*Risk Factors*” on page 64 of this Red Herring Prospectus. For information on the material rights, obligations and entitlements applicable to IDR Holders, please refer to the section titled “*Frequently Asked Questions on the IDR Facility*” and “*Terms and Conditions of the Indian Depository Receipts*” on pages 44 and 356 respectively of this Red Herring Prospectus and also the other sections. The IDRs offered in the Issue have not been recommended or approved by SEBI, nor does the SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is drawn to the section titled “*Risk Factors*” on page 64 of this Red Herring Prospectus.

ISSUER’S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable enquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Company and the Issue that is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true, correct and adequate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole, or any of such information or the expression of any such opinions or intentions, misleading in any material respect.

LISTING ARRANGEMENT

The IDRs offered through this Red Herring Prospectus are proposed to be listed on the BSE and the NSE. The Company has obtained in-principle approval from the BSE and the NSE for the listing of the IDRs pursuant to their letters dated 7 April 2010 and 21 April 2010, respectively. For the purposes of this Issue, the Designated Stock Exchange shall be BSE. Application will be made to the UK Listing Authority for the underlying Shares to be admitted to the premium segment of the Official List, to the London Stock Exchange and for such Shares to be admitted to trading on the London Stock Exchange’s market for listed securities and to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the underlying Shares. Admission will become effective and dealings will commence in the underlying Shares on [●].

GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS

UBS Securities India Private Limited
2F, 2 North Avenue
Maker Maxity
Bandra Kurla Complex
Bandra (E)
Mumbai 400 051
Tel: +91 (0)22 6155 6000
Fax: +91 (0)22 6155 6300
Email: standardcharteredidr@ubs.com
Investor Grievance Email:
customercare@ubs.com
Contact Person: Puneet Gandhi
Website: www.ubs.com/indian-dr
SEBI registration: INM000010809

Goldman Sachs (India) Securities Private Limited
Rational House, 951A
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400 025
Tel: +91 (0)22 6616 9000
Fax: +91 (0)22 6616 9090
Email: pranita.gramopadhye@gs.com
Investor Grievance Email:
india-client-support@gs.com
Contact Person: Pranita Gramopadhye
Website: www2.goldmansachs.com/worldwide/india/
SEBI registration: INM000011054

REGISTRAR TO THE ISSUE

Karvy Computershare Private Limited
17 to 24, Vithalrao Nagar, Madhapur,
Hyderabad 500 001, Andhra Pradesh
Tel: +91 (0)40 2342 0818
Fax: +91 (0)40 2343 1551
Email: scbidr.ipo@karvy.com
Website: www.karvy.com
Contact Person: Krishna M Murali
SEBI registration: INR000000221

BOOK RUNNING LEAD MANAGERS

JM Financial Consultants Private Limited
141, Maker Chambers III
Nariman Point
Mumbai 400 021
Tel: +91 (0)22 6630 3030
Fax: +91 (0)22 2204 7185
Email: scplc.idr@jmfinancial.in
Investor Grievance Email:
grievance.ibd@jmfinancial.in
Contact Person: Kailash Soni
Website: www.jmfinancial.in
SEBI registration: INM000010361

DSP Merrill Lynch Limited
10th Floor, Mafatlal Centre
Nariman Point
Mumbai 400 021
Tel: +91 (0)22 6632 8000
Fax: +91 (0)22 2204 8518
Email: standardchartered_idr@ml.com
Investor Grievance Email:
india_merchantbanking@ml.com
Contact Person: N.S. Shekhar
Website: www.dspml.com
SEBI registration: INM000011625

Kotak Mahindra Capital Company Limited
1st Floor, Bakhtawar
229 Nariman Point
Mumbai 400 021
Tel: +91 (0)22 6634 1100
Fax: +91 (0)22 2283 7517
Email: standardchartered.idr@kotak.com
Investor Grievance Email:
kmccredressal@kotak.com
Contact Person: Chandrakant Bhole
Website: www.kotak.com
SEBI registration: INM000008704

SBI Capital Markets Limited
202, Maker Tower ‘E’,
Cuffe Parade, Mumbai 400 005
Tel: +91 (0)22 2217 8300
Fax: +91 (0)22 2218 8332
Email: standardcharteredidr@sbicaps.com
Investor Grievance Email:
investors.relations@sbicaps.com
Contact Person: Nishit Mathur
Website: www.sbicaps.com
SEBI registration: INM000003531

CO-BOOK RUNNING LEAD MANAGER

Standard Chartered - STCI Capital Markets Limited**
1st Floor, HDIL Towers, Anant Kanekar Marg,
Bandra (East), Mumbai 400 051
Tel: +91 (0)22 6751 5999
Fax: +91 (0)22 6751 5820
Email:
scbidr@standardcharteredcapitalmarkets.com
Investor Grievance
Email:ecm@standardcharteredcapitalmarkets.com
Contact Person: Ramesh Ramanathan
Website: www.standardchartered-wealthmanagers.co.in
SEBI registration: INM000011542

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON	**25 May 2010*** **	**BID/ISSUE CLOSES ON**	**28 May 2010*** **

The date of this Red Herring Prospectus is 10 May 2010.

* A discount of 5% to the Issue Price determined pursuant to the Book Building Process may be offered to the Retail Individual Bidders and the Eligible Employees whose Bid Amount does not exceed Rs. 100,000.

** Standard Chartered – STCI Capital Markets Limited, an associate of the Company, as definend in the explanation to regulation 21A and in compliance with regulation 21A(1) of the SEBI (Merchant Bankers) Regulations, 1992, read with Regulation 110 and Schedule XX of the SEBI Regulations will only be involved in the marketing of the issue.

***The Company may consider participation by Anchor Investors. The Anchor Investor Bid/Issue Period shall be one Business Day prior to the Bid/Issue Opening Date.

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DEFINITIONS AND ABBREVIATIONS

1994 ESOS	1994 Executive Share Option Scheme of the Company
1997/2006 RSS	1997/2006 Restricted Share Scheme of the Company
2000 ESOS	2000 Executive Share Option Scheme of the Company
2001 PSP	2001 Performance Share Plan of the Company
2004 DBP	2004 Deferred Bonus Plan of the Company
2007 SRSS	2007 Supplementary Restricted Share Scheme of the Company
A Brain	A Brain Co. Limited
ABS	Asset-backed securities
AEB	American Express Bank Limited
Africa	Includes Angola, Botswana, Cameroon, Côte d'Ivoire, Gambia, Ghana, Kenya, Nigeria, Sierra Leone, South Africa, Tanzania, Uganda, Zambia and Zimbabwe
AIM	Alternative Investment Market
ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
All Employee Sharesave Schemes	1994 UK Sharesave, 1996 International Sharesave, 2004 UK and International Sharesave and/or 2008 Irish Shareshave schemes of the Company, as the case may be
Allotment/Allot/Allotted	Unless the context otherwise requires, the allotment of IDRs by the IDR Depository pursuant to the Issue
Americas, the UK and Europe	Includes Argentina, Bahamas, Brazil, Canada, Colombia, the Falkland Islands, Ireland, Jersey, Mexico, Peru, Switzerland, Turkey, the UK, the US and Venezuela
Anchor Investor	A QIB, applying under the Anchor Investor category, with a minimum Bid of Rs. 100 million
Anchor Investor Allocation Notice	Notice or intimation of allocation of IDRs sent to Anchor Investors who have been allocated IDRs after discovery of the Issue Price if the Issue Price is higher than the Anchor Investor Issue Price
Anchor Investor Bid/Issue Period	The day, one Business Day prior to the Bid/Issue Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Issue Price	The final price at which IDRs will be issued and Allotted to Anchor Investors in terms of this Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be decided by the Company in consultation with the BRLMs
Anchor Investor Portion	Up to 30% of the QIB Portion which may be allocated by the Company to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price
Application Supported by Blocked Amount/ASBA	The application (whether physical or electronic) used by all Bidders to make a Bid authorising the SCSB to block the Bid Amount in their ASBA Account maintained with the SCSB
Arbitration and Conciliation Act	The Arbitration and Conciliation Act, 1996 as amended from time to time
Articles	The articles of association of the Company

ASBA Account	An account maintained with the SCSBs and specified in the ASBA Bid cum Application Form for blocking an amount mentioned in the ASBA Bid cum Application Form
ASBA Bid cum Application Form/ ASBA Application-cum-Bidding Form	The form, whether physical or electronic, used by a Bidder to make a Bid through ASBA process, which will be considered as the application for Allotment for the purposes of this Red Herring Prospectus and the Prospectus
ASBA Revision Form	The form used by the Bidders to modify the quantity of IDRs or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s)
ATM	Automated teller machine
Audit and Risk Committee	The audit and risk committee of the Board
Auditors	The statutory auditors of the Company, KPMG Audit Plc
Banker(s) to the Issue	Standard Chartered Bank, Mumbai
Banking Ordinance	The Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended from time to time
Banking Regulation Act	The Banking Regulation Act, 1949, as amended from time to time
Basel II	The June 2004 Basel Accord of the Basel Committee on Banking Supervision, as amended from time to time
Basis of Allotment	The basis on which IDRs will be Alloted to successful Bidders under the Issue and which is described in the section titled "*Issue Procedure*" beginning on page 386 of this Red Herring Prospectus
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder pursuant to submission of Bid cum Application Form, or during the Anchor Investor Bid/Issue Period by the Anchor Investors, to subscribe to the IDRs representing underlying Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form
Bid cum Application Form/ Application-cum-Bidding Form	The form used by a Bidder (which, unless expressly provided, includes the ASBA Bid cum Application Form, as applicable) to make a Bid and which will be considered as the application for Allotment for the purposes of this Red Herring Prospectus and the Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form
Bid/Issue Closing Date	Except in relation to any Bids received from Anchor Investors, the date after which the Syndicate and the Designated Branches of SCSBs will not accept any Bids for the Issue, which shall be notified in an English national newspaper and a Hindi national newspaper in India, each with a wide circulation
Bid/Issue Opening Date	Except in relation to any Bids received from Anchor Investors, the date on which the Syndicate and the Designated Branches of SCSBs will start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper in India, each with a wide circulation
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders (other than Anchor Investors) can submit their Bids, including any revisions thereof
BIS	Bank for International Settlement

Board/Board of Directors	The board of directors of the Company from time to time, including a duly constituted committee thereof
Book Building Process	The book building process as provided in Schedule XI of the SEBI Regulations, in terms of which this Issue is being made
BRLMs	The book running lead managers, being the Global Coordinators, JM Financial, DSPML, Kotak and SBI Caps
BSE	Bombay Stock Exchange Limited
Business Day	Any day (other than a Saturday or Sunday) on which the Custodian, or where applicable, settlement system in which Deposited Shares are held, is open for business in its respective markets and on which banks are generally open for business in London and Mumbai
Buy Back and Stabilisation Regulation	The Buy-back and Stabilisation Regulation 2003 (Commission Regulation 2273/2003) as amended from time to time
BWP	The lawful currency of Botswana
CAN/Confirmation of Allotment Note	Note or advice or intimation of Allotment of IDRs sent to the Bidders who have been Alloted IDRs after Basis of Allotment has been approved by the Designated Stock Exchange
Cap Price	The higher end of the Price Band, above which the Issue Price or the Anchor Investor Issue Price will not be finalised and above which no Bids will be accepted
CCASS	The Central Clearing and Settlement System established and operated by HKSCC
CDOs	Collateralised debt obligations
CDSL	Central Depository Services (India) Limited
City Code	The UK City Code on Takeovers and Mergers, as amended from time to time
Civil Jurisdiction and Judgments Act	The Civil Jurisdiction and Judgments Act 1982 of the UK, as amended from time to time
CMBS	Commercial mortgage-backed securities
Co-BRLM or SC Caps	Standard Chartered - STCI Capital Markets Limited
Combined Code	The Combined Code on Corporate Governance of the Financial Reporting Council 2008 of the UK, as amended from time to time
Companies Ordinance	The Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as such ordinance may be amended, modified or re-enacted from time to time
Company, The Company or Standard Chartered	Unless the context otherwise indicates or implies, refers to Standard Chartered PLC, a public limited company incorporated in England and Wales and registered under the UK Companies Act with registration number 00966425, having its registered office at 1 Aldermanbury Square, London, EC2V 7SB
Compliance Officer	Kanchan Bhave
Conditions	The terms and conditions of the IDRs as described in the section titled "*Terms and Conditions of the Indian Depository Receipts*" on page 356 of this Red Herring Prospectus

Controlling Branches	Such branches of the SCSB which coordinates with the BRLMs, the Registrar to the Issue and the Stock Exchanges, and a list of which is available on http://www.sebi.gov.in
CRA	Credit Support Annexes
CREST	The system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the Uncertificated Securities Regulations operated by Euroclear
CRR	Cash reserve ratio
Custodian	The Bank of New York Mellon or any other custodian from time to time appointed under the Custody Agreement
Custody Agreement	The agreement between the Depository and the Custodian dated 8 May 2010, as amended from time to time
Cut-off Price	Issue Price, finalised by the Company in consultation with the BRLMs. Only Retail Individual Bidders and Eligible Employees whose Bid Amount does not exceed Rs. 100,000 are entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price.
Deed of Assignment	The deeds of assignment executed by the Company in favour of the Depository, each dated 8 May 2010, relating to the assignment of the Company's rights under the Tripartite Agreements.
Dematerialised IDRs	An IDR admitted into the security depository system maintained by NSDL and CDSL and identified by an ISIN assigned by NSDL and CDSL pursuant to the Tripartite Agreements defined below
Demographic Details	The demographic details of a Bidder including address, bank account details, MICR code and occupation
Deposit Agreement	The deposit agreement between the Company and the Depository dated 8 May 2010, as amended from time to time
Deposited Shares	Shares which are deposited and held by the Custodian on behalf of the Depository pursuant to the terms of the Custody Agreement and such other shares and securities received by the Custodian on behalf of the Depository in respect thereof and held pursuant to the terms of the Custody Agreement
Depository/IDR Depository	Standard Chartered Bank, Mumbai or any other Depository which may from time to time be appointed under the Deposit Agreement
Deposited Property	Means and includes the Deposited Shares and all and any rights, interests and other securities, property and cash for the time being held by the Depository or the Custodian or their respective agents and attributable to the Deposited Shares together with any right of the Depository or the Custodian (or their respective delegates) to receive Deposited Shares or any such rights, interests and securities, property and cash
Designated Branches	Such branches of the SCSBs that shall collect the ASBA Bid cum Application Form used by Bidders applying through ASBA process and a list of which is available on http://www.sebi.gov.in
Designated Date	The date on which funds are transferred from the Escrow Account or the amount blocked by the SCSB is transferred from the ASBA Account of the Bidder, as the case may be, to the Public Issue Account or the Refund Account, as the case may be, after the Prospectus is filed with the RoC, following which the IDRs shall be Allotted to successful Bidders
Designated Stock Exchange	BSE
DIFC	Dubai International Finance Centre
Director(s)	A director/directors of the Company

Disclosure and Transparency Rules or DTRs	The disclosure and transparency rules made by the UK Listing Authority under Part VI of FSMA, as amended
DP ID	A Settlement Depository's Participant's identity
Draft Red Herring Prospectus	The draft red herring prospectus issued in accordance with the IDR Rules, Chapter X and other applicable provisions of the SEBI Regulations, which did not contain complete particulars on the price at which the IDRs are offered
DSPML	DSP Merrill Lynch Limited
ECS	Electronic Clearing Service
EEA	European Economic Area as established by the agreement on the European Economic Area signed at Oporto on 2 May 1992
EIU	Economist Intelligence Unit
Eligible Employees	A person who is a resident of India and is a permanent and full-time employee or a director, whether whole time or part time, of the Company or of the holding company or subsidiary company or of the material associate(s) of the Company, whose financial statements are consolidated with the Company's financial statements, working in India and does not include promoters and an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse) as of the date of the Bid cum Application Form
Eligible Insurance Companies	An insurance company registered with the IRDA, which has been permitted by the IRDA to subscribe to the IDRs and can participate in the Issue subject to the applicable laws, rules and regulations
Eligible NRI	An NRI from a jurisdiction outside India where it is not unlawful to make an offer or invitation under the issue and in relation to whom the Red Herring Prospectus constitutes an offer to purchase or an invitation to subscribe to IDRs allocated herein.
Employee Portion	The portion of the Issue being not less than 4,800,000 IDRs available for allocation to Eligible Employees
EPS	Earnings per share, i.e. profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares at the end of that fiscal year
Escrow Account	An account to be opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding the Bidders applying through ASBA process) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into by the Company, the Registrar to the Issue, the BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, refunds of the amounts collected to the Bidders (excluding the Bidders applying through ASBA process) on the terms and conditions thereof
Escrow Collection Bank(s)	The bank(s) which is/are clearing member(s) and registered with the SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being Standard Chartered Bank, Mumbai and Axis Bank
EU	The European Union first established by the treaty made at Maastricht on 7 February 1992
Euro/€	The single currency of the member states of the European Community that adopt or have adopted the euro as their lawful currency under the legislation of the EU or European Territory Union

Euroclear	Euroclear UK & Ireland Limited
FEMA	The Foreign Exchange Management Act, 1999 read with rules and regulations thereunder, as amended
FII(s)	Foreign Institutional Investor(s) as defined under the SEBI (Foreign Institutional Investor) Regulations, 1995 registered with the SEBI under applicable laws in India
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, at or above which the Issue Price or the Anchor Investor Issue Price will be finalised and below which no Bids will be accepted
FRC	The Financial Reporting Council of the UK
FSA	The Financial Services Authority of the UK
FSMA	The Financial Services and Markets Act 2000 of the UK, as amended
GALCO	Group Asset and Liability Committee
GBP/£	The lawful currency of the UK
GCC	Group Credit Committee
GCRO	Group Chief Risk Officer
GDP	Gross Domestic Product
GIR	General Index Register
Global Coordinators	UBS and Goldman Sachs
Goldman Sachs	Goldman Sachs (India) Securities Private Limited
GMC	Group Management Committee
GMRC	Group Market Risk Committee
GORC	Group Operational Risk Committee
GRC	Group Risk Committee
the "Group"	The Company, together with its subsidiaries and subsidiary undertakings (as defined by section 1159 and 1162 of the UK Companies Act)
Group Executive Directors	The executive directors of the Company set out in the section titled "*Directors and Senior Management*" on page 288 of this Red Herring Prospectus
GRRRC	Group Reputational Risk and Responsibility Committee
GSAM	Group Special Assets Management
Harrison Lovegrove	Harrison Lovegrove & Co. Limited
HDRs	Hong Kong Depository receipts
HKD/HK$	The lawful currency of Hong Kong
HKMA	The Hong Kong Monetary Authority
HKSCC	Hong Kong Securities Clearing Company Limited
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	The Rules governing the listing of securities on the Hong Kong Stock Exchange, as amended
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hsinchu	Hsinchu International Bank, Taiwan
HUF	Hindu undivided family
IAS	International Accounting Standards

IASB	The International Accounting Standards Board
IDR Certificate	A certificate evidencing the IDRs issued by the Depository in accordance with the Deposit Agreement
IDR Facility	Means the separate account created by the Custodian held on trust for the Depository in which the Deposited Shares are credited and the separate accounts of the Custodian in which cash and the Deposited Property are deposited in the name of the Depository
IDR Holders	The person or persons recorded in the Register of IDR Holders as a holder of an IDR from time to time
IDR Listing Agreements	The agreements to be entered into between the Company and each of the BSE and the NSE on or about [●] in relation to the listing of the IDRs
IDR Rules	The Companies (Issue of Indian Depository Receipts) Rules, 2004, as amended, and notified by the Central Government in relation to the IDRs
IDRs	Indian Depository Receipts issued by the Depository pursuant to the Deposit Agreement
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards and IFRIC Interpretations, as adopted by the EU
IFSC	Indian Financial System Code
IIP	Individual Impairment Provisions
Income Tax Act	The Income Tax Act, 1961 (of India), as amended from time to time
Indian Companies Act	The Companies Act, 1956, as amended from time to time
Indian GAAP	Generally accepted accounting principles in India
IPO	Initial public offering
IRB	Internal Ratings-Based
ISIN	International Securities Identification Number
Issue	Issue of 240,000,000 IDRs at an Issue Price of Rs. [●]* per IDR, with every 10 IDRs representing one Share of the Company aggregating up to Rs. [●] million.
Issue Agreement	The agreement entered into on 30 March 2010 between the Company, the BRLMs and the Co-BRLM, and as amended by an amendment agreement dated 10 May 2010 pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price at which IDRs will be issued and Allotted in terms of the Prospectus. For the Retail Individual Bidders and Eligible Employees, it shall be the final price (net of Retail Discount) at which IDRs will be issued and Allotted in respect of the Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs on the Pricing Date
Issue Proceeds	The proceeds of the Issue that are available to the Company
IRDA	Insurance Regulatory and Development Authority
JM Financial	JM Financial Consultants Private Limited
JPY	The lawful currency of Japan
Korean Bank Act	The Korean Bank Act of 1950, as amended from time to time
Korean FSC	Korean Financial Services Commission
Korean FSS	Korean Financial Supervisory Service

* A discount of 5% to the Issue Price determined pursuant to the Book Building Process may be offered to the Retail Individual Bidders and the Eligible Employees whose Bid Amount does not exceed Rs. 100,000.

Kotak	Kotak Mahindra Capital Company Limited
KRW or Korean Won	The lawful currency of South Korea
LMC	Liquidity Management Committee
London Stock Exchange or LSE	London Stock Exchange plc or its successors
MAC	Model Assessment Committee
MAS	Monetary Authority of Singapore
MAS Act	Monetary Authority of Singapore Act, Chapter 186 of Singapore, as amended or modified from time to time
Master Creation Format	Means the document to be used by the Depository to notify the Settlement Depositories of the Issue of IDRs in the form agreed with the Settlement Depositories
Middle East and Other South Asia or MESA	Includes the UAE, Bahrain, Qatar, Oman, Jordan, Lebanon, Pakistan, Bangladesh and Sri Lanka
MICR	A nine-digit magnetic ink character recognition number/code
MiFID	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as amended from time to time
m/mn	Million
Model Code	The Model Code on directors' dealings in securities set out in the UK Listing Rules
Mutual Fund	A mutual fund registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Mutual Funds Portion	5% of the QIB Portion (excluding the Anchor Investor Portion), or 4,200,000 IDRs available for allocation to Mutual Funds only
N/A	Not applicable
NEFT	National Electronic Fund Transfer
NIM	Net Interest Margin
Nomination Committee	The nomination committee of the Board
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidder(s) and who have Bid for IDRs for an amount of more than Rs. 100,000
Non-Institutional Portion	The portion of the Issue being not less than 43,200,000 IDRs available for allocation to Non-Institutional Bidders
NRI	Non-resident Indian – a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCBs	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time. OCBs are not allowed to invest in this Issue
OECD	Organisation for Economic Co-operation and Development
Official List	The official list of the UK Listing Authority

Other Asia Pacific	Includes Brunei, Cambodia, China, Indonesia, the Philippines, Taiwan, Thailand and Vietnam
p.a.	Per annum
PAN	Permanent Account Number allotted under the Income Tax Act
Panel	The UK Panel on Takeovers and Mergers
PDMR	Person discharging managerial responsibilities
P/E ratio	Price-earnings ratio
Pembroke	Pembroke Group Limited
Permata Bank	PT Bank Permata Tbk, Indonesia
PILON	Payment in lieu of notice
PIP	Portfolio Impairment Provision
PKR	The lawful currency of Pakistan
Price Band	A price band of a minimum price (Floor Price) and the maximum price (Cap Price) and includes revisions thereof. The Price Band and the minimum Bid lot size for the Issue will be decided by the Company in consultation with the BRLMs and advertised in an English and a Hindi newspaper of wide circulation in India at least one Business Day prior to the Bid/Issue Opening Date
Pricing Date	The date on which the Company, in consultation with the BRLMs, finalises the Issue Price
Prospectus	The prospectus to be filed with the RoC in accordance with section 605 of the Indian Companies Act and rule 5(2)(vi) of the IDR Rules, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	The account opened with the Banker(s) to the Issue to receive monies from the Escrow Account, and from the SCSBs from the ASBA Accounts of the Bidders applying through ASBA process, on the Designated Date
QIB Portion	The portion of the Issue being at least 120,000,000 IDRs to be Allotted to QIBs
QIBs	A Qualified Institutional Buyer means a public financial institution as defined in section 4A of the Indian Companies Act, a scheduled commercial bank, a Mutual Fund, an FII and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, a multilateral and bilateral development financial institution, a state industrial development corporation and an Eligible Insurance Company
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
RBI Circular	RBI Circular number RBI/2009-10/106 A.P. (DIR Series) Circular No. 5 dated 22 July 2009
Red Herring Prospectus	This red herring prospectus issued in accordance with the applicable provisions of the Indian Companies Act and the SEBI Regulations, which does not have complete particulars of the price at which the IDRs are offered. This Red Herring Prospectus was filed with the RoC at least three days before the Bid/Issue Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date

Refund Account	The account opened with the Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount (excluding to the Bidders applying through ASBA process) shall be made
Refund Banker	Standard Chartered Bank, Mumbai, India
Refunds through electronic transfer of funds	Refunds through ECS, Direct Credit, RTGS, NEFT or the ASBA process, as applicable
Register	The register of IDR Holders of the Company from time to time maintained by the Depository
Registrar Agreement	The agreement between the Registrar to the Issue, the Depository and the Company dated 7 May 2010, as amended from time to time
Registrar to the Issue or Registrar	Karvy Computershare Private Limited
Regulation S	Regulation S under the US Securities Act
Remuneration Committee	The remuneration committee of the Board
Retail Discount	Discount of 5% to the Issue Price determined pursuant to the Book Building Process which is offered to Retail Individual Bidders and Eligible Employees whose Bid Amount does not exceed Rs. 100,000
Retail Individual Bidder(s)	Those individual Bidders (including HUFs applying through their Karta and Eligible NRIs) who have not Bid for IDRs for an amount of more than Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being not less than 72,000,000 IDRs available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders (which, unless expressly provided, includes the ASBA Revision Form) to modify the quantity of IDRs or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
RMBS	Residential mortgage-backed securities
RMF	Risk management Framework
RoC	The Registrar of Companies in Delhi
RONW	Return on net worth
RM or MYR	The lawful currency of Malaysia
Rp.	The lawful currency of Indonesia
Rs. or INR	The lawful currency of India
RSS	Restricted Share Scheme
RTGS	Real-time gross settlement
RWA	Risk weighted assets
S$/SGD	Singapore dollars
SBI Caps	SBI Capital Markets Limited
SCB	Standard Chartered Bank, UK
SCB Court	The Court or Board of Directors of SCB
SCFB	Standard Chartered First Bank Korea Limited
SDRT	Stamp duty reserve tax
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000

SEBI Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time
Self Certified Syndicate Bank/ SCSB	The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994, as amended from time to time and offer services of ASBA, and a list of which is available on http://www.sebi.gov.in
Settlement Depositories	NSDL and CDSL
Settlement Depository Participant	A Depository participant as defined under the Depositories Act, 1996, as amended from time to time
SFC	The Securities and Futures Commission of Hong Kong
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
Shares	Ordinary Shares of US$0.50 each in the capital of the Company
SIC	The IASB's Standards Interpretations Committee
Singapore Banking Act	Banking Act, Chapter 19 of Singapore, as amended or modified from time to time
SME	Small and medium enterprises
South Korea	Republic of Korea
SPV or SPE	Special purpose vehicle
Standard Chartered Share Schemes	All Employee Sharesave Schemes, the 1994 ESOS, the 2000 ESOS, the 2001 PSP, the 1997/2006 RSS, the 2007 SRSS and the 2004 DBP
Stock Exchange(s)	BSE and/or NSE, as the case may be
Sustainability and Responsibility Committee	The sustainability and responsibility committee of the Board
Syndicate	The BRLMs, Co-BRLM and the Syndicate Members
Syndicate Agreement	The agreement to be entered into between the Syndicate and the Company in relation to the collection of Bids in this Issue excluding Bids from the Bidders applying through ASBA process
Syndicate Members	JM Financial Services Private Limited, Kotak Securities Limited, SBICAP Securities Limited and ICICI Securities Limited
Takeover Directive	The Directive on Takeover Bids (2004/25/EC), as amended from time to time
THB	The lawful currency of Thailand
TMC	Tax Management Committee
Transfer Agent Agreement	The agreement between the Registrar, the Company and Depository dated [●], as amended from time to time
Tripartite Agreements	The agreements between (i) NSDL, the Company and the Registrar; and (ii) CDSL, the Company and the Registrar, dated 20 April 2010 and 16 April 2010, respectively
TRS or Transaction Registration Slip	The slip or document issued by a member of the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid
TSR	Total shareholder return
TWD	The lawful currency of Taiwan
TZS	The lawful currency of Tanzania
UBS	UBS Securities India Private Limited
UAE	United Arab Emirates
UK or United Kingdom	The United Kingdom of Great Britain and Northern Ireland

UK Companies Act	The Companies Act 1985 or, where applicable, the Companies Act 2006, as may be amended, modified or re-enacted from time to time
UK Foreign Judgments Act	The Foreign Judgments (Reciprocal Enforcement) Act 1933 of the UK, as amended from time to time
UK GAAP	Generally accepted accounting principles in the UK
UK Listing Authority or UKLA	The FSA in its capacity as competent authority under FSMA
UK Listing Rules	The listing rules made by the UK Listing Authority under Part VI of FSMA, as amended from time to time
Uncertificated Securities Regulations 2001	The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The agreement between the Underwriters and the Company to be entered into on or after the Pricing Date
Union Bank	Union Bank Limited, Pakistan
US/USA/United States	The United States of America, its territories and possessions, any state of the United States and the District of Columbia
US$, $ or US Dollar	The lawful currency of the United States
US Securities Act	The US Securities Act of 1933, as amended from time to time
UTI	UTI Securities Limited
VaR	Value at risk
VND	The lawful currency of Vietnam
Walker Review	A review of corporate governance in UK banks and other financial industry entities commissioned by Her Majesty's Treasury and conducted by Sir David Walker, with final recommendations published on 26 November 2009
Whistlejacket	Whistlejacket Capital Limited
Working Days	All days excluding Sundays and bank holdays in Mumbai
Yeahreum	Yeahreum Mutual Savings Bank

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements can be identified by the use of forward-looking terminology such as ''believes'', ''expects'', ''may'', ''are expected to'', ''intends'', ''will'', ''will continue'', ''should'', ''would be'', ''seeks'', ''approximately'' or ''anticipates'' or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Red Herring Prospectus and include statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Red Herring Prospectus. Forward-looking statements contained in this Red Herring Prospectus based on past or current trends or activities should not be taken as a representation that such trends or activities will continue in the future. In addition, even if the Group's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Red Herring Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- anticipated growth of the Group's businesses and anticipated growth of its cross-selling activities among client segments and products; and
- expectations as to the Group's expansion.

Factors that could cause actual results to differ materially from the Group's expectations are contained in cautionary statements in this Red Herring Prospectus and include, among other things, the following:

- overall political, economic and business conditions across the world, including commodity prices;
- the demand for the Group's services and products;
- competitive factors in the industries in which the Group and its customers compete;
- changes in government and regulatory requirements;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- economic and political conditions in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing, impact and other uncertainties of future actions.

The sections titled ''*Risk Factors*'', ''*Management Discussion and Analysis of the Financial Condition and Results of Operations*'' and ''*Audited Historical Financial Statements*'' on pages 64, 122 and 493 respectively of this Red Herring Prospectus contain a more extensive discussion of the factors that could affect the Group's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Red Herring Prospectus may not occur.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by the FSA, the London Stock Exchange, the Hong Kong Stock Exchange, the SEBI or applicable law, Standard Chartered does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to Standard Chartered or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Red Herring Prospectus.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to the Company's business contained in this Red Herring Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources and on the Company's knowledge of its markets.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, so the Company relies on internally developed estimates. Where the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, the Company accepts responsibility for accurately reproducing such data, but neither the Company nor the BRLMs make any representation regarding the accuracy of such data. Similarly, while the Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Company nor the BRLMs can assure potential investors as to their accuracy.

Where the Company has compiled, extracted and reproduced data on associate companies, joint venture companies and major shareholders from external sources, the Company accepts responsibility for accurately reproducing such data, but neither the Company nor the BRLMs make any representation regarding the accuracy of such data.

ENFORCEMENT OF LIABILITIES

The Company is incorporated in England and Wales and registered as a public limited company. The enforcement by investors of civil liabilities outside the UK, including the ability to effect service of process and to enforce judgments of courts outside the UK may be affected adversely by the fact that the Company is incorporated in England and Wales and all of its Directors reside outside India. A substantial proportion of the Company's assets are located outside India. As a result, it may be difficult to effect service of process initiated in India or to enforce judgments obtained in India against the Company, its executive officers and Directors.

Judgments delivered by a recognised court or tribunal in India which are final and conclusive (or require an interim payment to be made) and require the payment of a sum of money other than in respect of a tax, a fine or a penalty are enforceable in the UK by registration under the UK Foreign Judgments Act. If the UK Foreign Judgments Act applies, the claimant may, within six years of the judgment, apply for registration of the judgment.

Under the UK Foreign Judgments Act, registration is required to be set aside if:

(a) the judgment was not one to which the UK Foreign Judgments Act applies, or one that was registered in contravention of the provisions of the UK Foreign Judgments Act;

(b) the foreign court acted without jurisdiction;

(c) the defendant did not receive notice of the original proceedings in sufficient time to enable him to defend them and did not appear;

(d) the judgment was obtained by fraud;

(e) the enforcement of the judgment would be contrary to public policy in England and Wales;

(f) the rights under the judgment are not vested in the applicant; or

(g) the judgment was obtained in proceedings which were brought in breach of section 32 of the Civil Jurisdiction and Judgments Act (that is, in breach of a valid arbitration or choice of court clause).

Under the UK Foreign Judgments Act, registration may be set aside if the registering court is satisfied that the subject matter of the judgment had already been the subject of a final and conclusive judgment by a court having jurisdiction. In addition, the registering court has powers to set aside registration on application by the defendant in certain circumstances (for example, if an appeal is pending).

EXCHANGE RATES

Convenience translation

In this Red Herring Prospectus, all references to "Great Britain Pound Sterling", "Sterling", "GBP" and "£" are to the legal currency of Great Britain, all references to "Hong Kong Dollars", "HKD" and "HK$" are to the legal currency of Hong Kong, all references to "INR", "Indian Rupees", "Rupees" and "Rs." are to the legal currency of India and all references to "USD", "US Dollars" and "US$" are to the legal currency of the United States of America. Solely for the convenience of the reader and in accordance with the provisions of IDR Rules and SEBI Regulations, this Red Herring Prospectus contains translations of certain US$, GBP and HKD amounts into Rs. at specified rates. This should not be construed as a representation that those US$, GBP or HKD amounts could have been, or could be, converted into Rs., at any particular rate or at all. Except as otherwise stated in this Red Herring Prospectus, all translations from US$, GBP or HKD to Rs. are based on the exchange rates of Rs. 46.68 per US$1.00 and Rs. 75.0334 per GBP1.00 as published on the RBI website on 31 December 2009 and Rs. 6.029 per HKD1.00 as published by Bloomberg on 31 December 2009. No representation is made that the US$, GBP or HKD represent Rs. amounts or have been, could have been or could be converted into Rs. at such rates or any other rates. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Historical exchange rates

	Exchange Rate Rs./US$			
	Period End Buying Rate	*Average*	*High*	*Low*
2005				
First quarter	43.75	43.71	44.02	43.36
Second quarter	43.51	43.60	43.83	43.30
Third quarter	43.99	43.69	44.12	43.39
Fourth quarter	45.07	45.41	46.33	44.09
2006				
First quarter	44.61	44.41	45.05	44.07
Second quarter	46.08	45.51	46.43	44.61
Third quarter	45.96	46.37	46.95	45.86
Fourth quarter	44.23	44.97	45.84	44.23
2007				
First quarter	43.59	44.17	44.61	43.14
Second quarter	40.75	41.20	43.15	40.45
Third quarter	39.74	40.53	41.57	39.70
Fourth quarter	39.41	39.47	39.85	39.27
2008				
First quarter	39.97	39.78	40.77	39.27
Second quarter	42.95	42.86	44.07	41.89
Third quarter	46.94	43.75	46.94	41.89
Fourth quarter	48.45	48.76	50.52	46.88
2009				
First quarter	50.95	49.76	52.06	48.37
Second quarter	47.87	48.67	50.53	46.84
Third quarter	48.04	48.42	49.40	47.54
Fourth quarter	46.68	46.64	47.86	45.91
2010				
First quarter	45.14	45.92	46.81	44.94

(source: RBI website)

	Exchange Rate Rs./US$			
	Period End Buying Rate	*Average*	*High*	*Low*
May 2009	47.29	48.53	49.83	47.19
June 2009	47.87	47.77	48.91	46.84
July 2009	48.16	48.48	49.40	47.79
August 2009	48.88	48.34	48.98	47.54
September 2009	48.04	48.44	49.06	47.96
October 2009	46.96	46.72	47.86	45.91
November 2009	46.48	46.57	47.13	46.09
December 2009	46.68	46.63	46.85	46.22
January 2010	46.37	45.96	46.65	45.36
February 2010	46.23	46.33	46.81	46.02
March 2010	45.14	45.50	46.02	44.94
April 2010	44.44	44.50	44.73	44.33

(source: RBI website)

	Exchange Rate Rs./£			
	Period End Buying Rate	*Average*	*High*	*Low*
2005				
First quarter	82.09	82.66	84.19	80.98
Second quarter	78.75	80.86	83.94	78.75
Third quarter	77.78	78.03	80.75	75.56
Fourth quarter	77.89	79.38	81.67	77.43
2006				
First quarter	77.80	77.82	79.01	76.82
Second quarter	84.45	83.36	87.43	77.15
Third quarter	86.09	86.95	88.77	84.71
Fourth quarter	86.91	86.22	88.30	84.46
2007				
First quarter	85.53	86.31	87.61	84.71
Second quarter	81.63	81.84	85.36	80.08
Third quarter	80.34	81.91	83.08	79.88
Fourth quarter	78.74	80.77	82.66	78.02
2008				
First quarter	79.53	78.67	82.25	76.85
Second quarter	85.62	82.18	85.62	78.66
Third quarter	85.57	83.00	86.53	78.09
Fourth quarter	70.01	76.59	85.19	70.01
2009				
First quarter	72.86	71.53	74.60	67.61
Second quarter	80.08	75.76	80.08	72.86
Third quarter	76.43	79.54	81.13	76.43
Fourth quarter	75.03	76.29	77.93	73.64
2010				
First quarter	68.03	71.74	75.25	67.41

(source: RBI website)

	Exchange Rate Rs./£			
	Period End Buying Rate	*Average*	*High*	*Low*
March 2009	72.86	72.92	74.60	71.60
April 2009	73.88	73.61	74.61	72.86
May 2009	75.86	74.83	76.26	72.88
June 2009	80.08	78.18	80.08	75.20
July 2009	79.75	79.34	80.02	78.37
August 2009	79.21	79.95	80.91	79.04
September 2009	76.43	79.36	81.13	76.43
October 2009	77.66	75.73	77.87	73.64
November 2009	76.91	77.36	77.93	76.73
December 2009	75.03	75.78	77.12	74.28
January 2010	74.78	74.31	75.25	72.94
February 2010	70.66	72.48	73.91	70.66
March 2010	68.03	68.47	69.58	67.41
April 2010	68.31	68.18	68.82	67.50

(source: RBI website)

	Exchange Rate Rs./HK$			
	Period End Buying Rate	*Average*	*High*	*Low*
2005				
First quarter	5.61	5.61	5.64	5.57
Second quarter	5.60	5.60	5.62	5.55
Third quarter	5.67	5.62	5.68	5.56
Fourth quarter	5.81	5.85	5.97	5.67
2006				
First quarter	5.75	5.72	5.82	5.69
Second quarter	5.93	5.86	5.98	5.75
Third quarter	5.89	5.96	6.04	5.88
Fourth quarter	5.69	5.78	5.90	5.65
2007				
First quarter	5.56	5.65	5.72	5.51
Second quarter	5.21	5.28	5.56	5.18
Third quarter	5.12	5.19	5.29	5.10
Fourth quarter	5.05	5.08	5.15	5.04
2008				
First quarter	5.15	5.11	5.25	5.03
Second quarter	5.50	5.34	5.53	5.11
Third quarter	6.05	5.60	6.05	5.38
Fourth quarter	6.28	6.29	6.50	6.00
2009				
First quarter	6.61	6.42	6.70	6.22
Second quarter	6.21	6.31	6.55	6.06
Third quarter	6.21	6.24	6.33	6.13
Fourth quarter	6.03	6.02	6.21	5.95
2010				
First quarter	5.81	5.92	6.02	5.79

(source: Bloomberg)

	Exchange Rate Rs./HK$			
	Period End Buying Rate	*Average*	*High*	*Low*
May 2009	6.14	6.29	6.46	6.08
June 2009	6.21	6.16	6.27	6.06
July 2009	6.24	6.25	6.33	6.18
August 2009	6.28	6.23	6.32	6.13
September 2009	6.21	6.25	6.33	6.19
October 2009	6.09	6.04	6.21	5.95
November 2009	6.02	6.01	6.12	5.96
December 2009	6.03	6.01	6.05	5.95
January 2010	5.97	5.92	6.01	5.85
February 2010	5.98	5.97	6.02	5.92
March 2010	5.81	5.87	5.94	5.79
April 2010	5.73	5.74	5.79	5.71

(source: Bloomberg)

PRESENTATION OF FINANCIAL INFORMATION

The Company prepares its financial statements in accordance with IFRS, which differs in certain respects from Indian GAAP. For a comparison of accounting principles under IFRS and accounting principles under Indian GAAP, see the section titled "*Summary Differences between Indian GAAP and IFRS*" on page 471 of this Red Herring Prospectus. The Company publishes its consolidated financial statements in US$. The audited consolidated financial statements of the Company as of and for the years ended 31 December 2009, 2008 and 2007 included in this Red Herring Prospectus have been prepared in accordance with IFRS and are referred to herein as the "Financial Statements". References to a particular "fiscal" year are to the Company's fiscal year ended 31 December of such year.

In order to comply with paragraph 6 of the Schedule to the IDR Rules and clause 14 of Part A of Schedule XIX of the SEBI Regulations, consolidated income statement, cash flow statements and balance sheet for the Group for the years ended 31 December, 2009, 2008 and 2007 has been extracted from the Audited Historical Financial Statements and presented in US$ and INR. Capitalisation statement for the same period is presented in US$ and INR. The rate used for the conversion of US$ into INR for each of these statements is US$1=INR 44.56. This is the exchange rate used by the Company for the translation and used by the auditors in reperforming the translations as set out in the section titled "*Auditor's Report for the IDR Issue and Financial Information*" on page 479 of this Red Herring Prospectus.

The audited consolidated financial statements of the Company as of and for the years ended 31 December 2009, 2008 and 2007 included in this Red Herring Prospectus have been extracted from the Company's Annual Reports and Accounts 2009, 2008 and 2007, respectively. These Annual Reports and Accounts, as well as the Company's stock exchange announcements, can be found at http://investors.standardchartered.com.

GENERAL INFORMATION

Registered Office of the Company

Standard Chartered PLC

Registered Office:	1 Aldermanbury Square, London EC2V 7SB
Principal place of business in the UK:	1 Basinghall Avenue, London EC2V 5DD
Tel:	+44 (0)20 7885 8888
Fax:	+44 (0)20 7885 7337
Email:	group-corporate.secretariat@sc.com
Website:	www.standardchartered.com
Contact Person:	Annemarie Durbin, Group Company Secretary
Principal office in India:	90 Mahatma Gandhi Road, Fort, Mumbai 400 001
Tel:	+91 (0)22 2267 0162
Fax:	+91 (0)22 2284 4801
Email:	IDR.India@sc.com
Website:	www.standardchartered.co.in
Contact Person:	Kanchan Bhave

IDR Depository for the IDRs

Standard Chartered Bank, Mumbai

Address:	90 Mahatma Gandhi Road, Fort, Mumbai 400 001
Tel:	+91 (0)22 2267 0162
Fax:	+91 (0)22 2284 4801
Email:	Rajesh.M.Sharma@sc.com
Website:	www.standardchartered.co.in
Contact Person:	Rajesh Sharma

Overseas Custodian Bank

The Bank of New York Mellon

Address:	1 Canada Square, London E14 5AL
Tel:	+44 (0)20 7570 1784
Fax:	+44 (0)20 7964 6028
Email:	mark.wilson@bnymellon.com
Website:	www.bnymellon.com
Contact Person:	Mark Wilson

Global Coordinators and Book Running Lead Managers

UBS Securities India Private Limited

Address:	2/F, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051
Tel:	+91 (0)22 6155 6000
Fax:	+91 (0)22 6155 6300
Email:	standardcharteredidr@ubs.com
Investor Grievance Email:	customercare@ubs.com
Website:	www.ubs.com/indian-dr
Contact Person:	Puneet Gandhi
SEBI registration:	INM000010809

Goldman Sachs (India) Securities Private Limited

Address:	Rational House, 951-A, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025
Tel:	+91 (0)22 6616 9000
Fax:	+91 (0)22 6616 9090
Email:	pranita.gramopadhye@gs.com
Investor Grievance Email:	india-client-support@gs.com
Contact Person:	Pranita Gramopadhye
Website:	www2.goldmansachs.com/worldwide/india/
SEBI registration:	INM000011054

Book Running Lead Managers

JM Financial Consultants Private Limited

Address:	141 Maker Chambers III, Nariman Point, Mumbai 400 021
Tel:	+91 (0)22 6630 3030
Fax:	+91 (0)22 2204 7185
Email:	scplc.idr@jmfinancial.in
Investor Grievance Email:	grievance.ibd@jmfinancial.in
Contact Person:	Kailash Soni
Website:	www.jmfinancial.in
SEBI registration:	INM000010361

DSP Merrill Lynch Limited

Address:	10th Floor, Mafatlal Centre, Nariman Point, Mumbai 400 021
Tel:	+91 (0)22 6632 8000
Fax:	+91 (0)22 2204 8518
Email:	standardchartered_idr@ml.com
Investor Grievance Email:	india_merchantbanking@ml.com
Contact Person:	N.S. Shekhar
Website:	www.dspml.com
SEBI registration:	INM000011625

Kotak Mahindra Capital Company Limited

Address:	1st Floor, Bakhtawar, 229 Nariman Point, Mumbai 400 021
Tel:	+91 (0)22 6634 1100
Fax:	+91 (0)22 2283 7517
Email:	standardchartered.idr@kotak.com
Investor Grievance Email:	kmccredressal@kotak.com
Contact Person:	Chandrakant Bhole
Website:	www.kotak.com
SEBI registration:	INM000008704

SBI Capital Markets Limited

Address:	202, Maker Tower 'E', Cuffe Parade, Mumbai 400 005, India
Tel:	+91 (0)22 2217 8300
Fax:	+91 (0)22 2218 8332
Email:	standardcharteredidr@sbicaps.com
Investor Grievance Email:	investor.relations@sbicaps.com
Contact Person:	Nishit Mathur
Website:	www.sbicaps.com
SEBI registration:	INM000003531

Co-BRLM

Standard Chartered – STCI Capital Markets Limited

Address:	1st Floor, HDIL Towers, Anant Kanekar Marg, Bandra (East), Mumbai 400 051
Tel:	+91 (0)22 6751 5999
Fax:	+91 (0)22 6751 5820
Email:	scbidr@standardcharteredcapitalmarkets.com
Investor Grievance Email:	ecm@standardcharteredcapitalmarkets.com
Contact Person:	Ramesh Ramanathan
Website:	www.standardchartered-wealthmanagers.co.in
SEBI registration:	INM000011542

Syndicate Members

JM Financial Services Private Limited

Address:	Apeejay House, 3 Dinshaw Waccha Road, Churchgate, Mumbai 400 020
Tel:	+91 (0)22 6704 0404
Fax:	+91 (0)22 6654 1511/1512
Email:	deepak.vaidya@jmfinancial.in
Contact Person:	Deepak Vaidya
Website:	www.jmfinancial.in

Kotak Securities Limited

Address:	1st Floor, Nirlon House, Dr. Annie Besant Road, Near Old Passport Office, Worli, Mumbai- 400025
Tel:	+91 (0)22 6652 9191
Fax:	+91 (0)22 6661 7064
Email:	umesh.gupta@kotak.com
Contact Person:	Umesh Gupta
Website:	www.kotak.com

SBICAP Securities Limited

Address:	191, Maker Tower 'F', Cuffe Parade, Mumbai-400 005
Tel:	+91 (0)22 3027 3309
Fax:	+91 (0)22 3027 3402
Email:	prasad.chitnis@sbicapsec.com
Contact Person:	Prasad Chitnis
Website:	www.sbicapsec.com

ICICI Securities Limited

Address:	ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020
Tel:	+91 (0)22 2288 2460
Fax:	+91 (0)22 2282 6580
Email:	gaurav.gupta@icicisecurities.com
Contact Person:	Gaurav Gupta
Website:	www.icicisecurities.com

Legal Advisers

Legal Counsel to the Company as to Indian Law

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Tel: +91 (0)22 2496 4455
Fax: +91 (0)22 2496 3666

Legal Counsel to the Company as to UK and Hong Kong Law

Slaughter and May
One Bunhill Row
London EC1Y 8YY
Tel: +44 (0)20 7600 1200
Fax: +44 (0)20 7090 5000

Slaughter and May
47th Floor
Jardine House
One Connaught Place
Central
Hong Kong
Tel: +852 (0)2521 0551
Fax: +852 (0)2845 2125

Legal Counsel to the Underwriters as to Indian Law

Talwar Thakore & Associates
3rd Floor
Kalpataru Heritage
127, Mahatma Gandhi Road
Mumbai 400 001
Tel: +91 (0)22 6613 6900
Fax: +91 (0)22 6613 6901

Legal Counsel to the Underwriters as to UK and Hong Kong Law

Linklaters LLP
#28-00, One Marina Boulevard
Singapore 018989
Tel: +65 (0)6890 7300
Fax: +65 (0)6890 7308

Linklaters
10th Floor Alexandra House
18 Chater Road
Hong Kong
Tel: +852 (0)2842 4888
Fax: +852 (0)2810 8133

Registrar to the Issue

Karvy Computershare Private Limited

Address:	17 to 24, Vithalrao Nagar, Madhapur, Hyderabad 500 001
Tel:	+91 (0)40 2342 0818
Fax:	+91 (0)40 2343 1551
Email:	scbidr.ipo@karvy.com
Website:	www.karvy.com
Contact Person:	Krishna M Murali
SEBI registration:	INR000000221

Bankers to the Issue and Escrow Collection Banks

Axis Bank
Universal Insurance Building
Ground Floor
Sir P.M. Road
Fort, Mumbai 400 001
Tel: +91 (0)22 6610 7353/6610 7265
Fax: +91 (0)22 6610 7291
Contact Person: Rajesh Khandelwal/Viraj Vaidya
Email: rajesh.khandelwal@axisbank.com/viraj.vaidya@axisbank.com
Website: www.axisbank.com

Standard Chartered Bank, Mumbai
90 Mahatma Gandhi Road
Fort, Mumbai 400 001
Tel: +91 (0)22 2267 0162
Fax: +91 (0)22 2284 4801
Contact Person: Sunil Kamath
Email: sunil.kamath@sc.com
Website: www.standardchartered.co.in/

State Bank of India
Capital Market Branch
Mumbai Main Branch Building
Ground Floor, Mumbai Samachar Marg, Fort
Mumbai 400 001
Tel: +91 (0)22 2266 2313
Fax: +91 (0)22 2266 4959
Contact Person: Mrs. Vidya Krishnan
Email: vidya.krishnan@sbi.co.in
Website: www.statebankofindia.com

Union Bank of India
Union Bank Bhavan
239 Vidhan Bhavan Marg
Nariman Point
Mumbai 400 021
Tel: +91 (0)22 2289 6412
Fax: +91 (0)22 2288 3102
Contact Person: V.V. Shenoy
Email: shenoy@unionbankofindia.com
Website: www.unionbankofindia.com

HDFC Bank
I Think Techno Campus
O-3 Level, 3rd Floor
Kanjurmarg (E)
Mumbai 400 042
Tel: +91 (0)22 3075 2928
Fax: +91 (0)22 2579 9801
Contact Person: Deepak Rane
Email: deepak.rane@hdfcbank.com
Website: www.hdfcbank.com

Auditors to the Company

KPMG Audit Plc

Address:	8 Salisbury Square, London EC4Y 8BB
Tel:	+44 (0)20 7311 1000
Fax:	+44 (0)20 7311 3311
Email:	mike.ashley@kpmg.co.uk
Website:	www.kpmg.co.uk
Contact Person:	M. St. J. Ashley

Tax Adviser

Ernst & Young

Address:	Express Towers, 18th Floor, Nariman Point, Mumbai 400 021
Tel:	+91 (0)22 66655554/+91 (0)22 66579200
Email:	sameer.gupta@in.ey.com
Fax:	+91 (0)22 22876401
Website:	www.ey.com
Contact Person:	Sameer Gupta

Compliance Officer

Kanchan Bhave

Address:	Standard Chartered Bank, 23-25 Mahatma Gandhi Road, Fort, Mumbai 400 001
Tel:	+91 (0)22 6735 5300
Fax:	+91 (0)22 2284 4801
Email:	kanchan.bhave@sc.com

Stock Exchanges

Bombay Stock Exchange Limited

Address:	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001
Tel:	+91 (0)22 2272 1233/4
Fax:	+91 (0)22 2272 1919
Website:	bseindia.com
Email:	info@bseindia.com

The National Stock Exchange of India Limited

Address:	Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051
Tel:	+91 (0)22 2659 8100 – 8114
Fax:	+91 (0)22 2659 8120
Website:	www.nse.co.in
Email:	cc_nse@nse.co.in

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as a SCSB for the ASBA process are provided on www.sebi.gov.in. For details on Designated Branches of SCSB collecting ASBA Bid cum Application Form, please refer to the abovementioned link.

Statement of Inter Se Allocation of Responsibilities amongst the BRLMs and the Co-BRLM

	Activity	Responsibility	Coordinator
1	Capital structuring including the following: ● Getting relevant approvals for further issue of capital ● Designing the dilution and exchange ratios ● Discount in Issue Price to Retail Individual Bidders and part payment option to Non-Institutional Bidders, if applicable ● Deciding size and designing any Green Shoe Option, if applicable	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SBI Caps	UBS
2	Reviewing and finalising, with the legal counsels, appropriate submissions and applications required to be made in India	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SBI Caps	JM Financial
3	Reviewing and finalising, with the legal counsels, appropriate submissions and applications required to be made outside India		UBS
4	Due diligence of Company's operations/management/business plans/legal etc. Drafting, design and approval/filing of Prospectus and related documents with the legal counsels	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SBI Caps	JM Financial
5	Drafting and approval of all statutory advertisements with the legal counsels	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SBI Caps	JM Financial
6	Drafting and approval of all publicity material other than statutory advertisements as mentioned in point 5 above or the publicity materials as mentioned in point 6, including corporate advertisement, brochure, etc with the legal counsels, to the extent reviewed and approved by the BRLMs and Co-BRLM	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SC Caps, SBI Caps	Kotak
7	Appointment of other intermediaries, like Registrar, Depository, printers, advertisement agency etc	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SC Caps, SBI Caps	Kotak
8	Preparation of the management road show presentations and frequently asked questions for overall marketing	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SC Caps, SBI Caps	UBS
9	Pre-marketing feedback and presentation	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SC Caps, SBI Caps	UBS
10	Retail marketing strategy ● Formulating marketing strategies, preparation of publicity budget ● Finalise media and public relations strategy ● Finalising centres for holding conferences for press and brokers ● Follow-up on distribution of publicity and issue material including form, Prospectus and deciding on the quantum of the Issue material ● Finalise collection centres	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SC Caps, SBI Caps	Kotak

	Activity	Responsibility	Coordinator
11	Domestic institutions/banks/Mutual Fund marketing strategy ● Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Company, and ● Finalising investor meeting schedules	UBS, Goldman Sachs, JM Financial, Kotak, DSPML	JM Financial
12	International institutional marketing strategy ● Finalise the list and division of investors for one to one meetings, in consultation with the Company ● Finalising the international road show schedule and investor meeting schedules	UBS, Goldman Sachs, JM Financial, Kotak, DSPML	Goldman Sachs
13	Non-institutional marketing strategy ● Finalising centres for holding conferences	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SC Caps, SBI Caps	DSPML
14	Co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SBI Caps	Kotak
15	Post-Issue activities Finalisation of trading and dealing of instruments and dispatch of certificates and demat of delivery of shares	UBS, Goldman Sachs, JM Financial, Kotak, DSPML, SC Caps, SBI Caps	Kotak

Book Building Process

Book Building Process, with reference to the Issue, refers to the process of the collection of Bids on the basis of this Red Herring Prospectus within the Price Band. The Issue Price is finalised after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

1. the Company;
2. the BRLMs;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. JM Financial, Kotak and SBI Caps have appointed JM Financial Securities Private Limited, Kotak Securities Limited and SBICAP Securities Limited as Syndicate Members;
4. the SCSBs;
5. the Escrow Collection Bank(s); and
6. the Registrar to the Issue.

In accordance with Regulation 98 of the SEBI Regulations, the Issue is being made through a 100% Book Building Process where at least 50% of the Issue will be Allotted to QIBs on a proportionate basis. Provided that the Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis out of which one-third shall be reserved for domestic Mutual Funds. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 18% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders. Further, not less than 2% of the Issue shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received from them at or above the Issue Price, in the Employee Portion. Under-subscription, if any, in any category except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange.

Pursuant to the SEBI Regulations, a QIB Bidder is not allowed to withdraw its Bid after the Bid/Issue Closing Date. Please refer to the section titled "*Issue Procedure*" on page 386 of this Red Herring Prospectus.

The Company will comply with the SEBI Regulations and any other ancillary directions issued by SEBI and the RBI for this Issue. In this regard, the Company has appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

Investors are advised to make their own judgement about investment through the Book Building Process prior to making a Bid or application in the Issue.

Illustration of Book Building Process and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue. It excludes bidding by Anchor Investors or under the ASBA process)*

Bidders can bid at any price within the Price Band. For instance, assume a price band of Rs. 20 to Rs. 24 per IDR, issue size of 3,000 IDRs and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the IDRs of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	*Bid Price (Rs.)*	*Cumulative Quantity*	*Subscription*
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of IDRs is the price at which the book cuts off, i.e. Rs. 22 in the above example. The Company, in consultation with the BRLMs, will finalise the issue price at or below such cut-off price, i.e. at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see section titled *"Issue Procedure – Who Can Bid"* on page 389 of this Red Herring Prospectus).
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
3. Ensure that you have mentioned your PAN (see the section titled *"Issue Procedure – Permanent Account Number"* on page 402 of this Red Herring Prospectus).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before Allotment of the IDRs without assigning any reason thereof.

Letters of Allotment

In accordance with the requirements of the Stock Exchanges and the SEBI Regulations, the Company further undertakes that Allotment of IDRs will be made only in dematerialised form in 12 Working Days from the Bid/Issue Closing Date.

Refund

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems, such as non-receipt of letters of Allotment, credit of Allotted IDRs in the respective beneficiary account and refund orders. In the event of over-subscription, the excess amount after adjustment shall be refunded in 12 Working Days from the Bid/Issue Closing Date.

If the permission to deal in and for an official quotation of the IDRs is not granted by any of the Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 15 days from the Bid/Issue Closing Date, then the Company along with every Director who is in default shall, on and from expiry of such 15 days, be liable to repay the money, with interest at the rate of 15% p.a. on application money.

The Company shall pay interest at 15% p.a. for any delay beyond the 15 days period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 days period stated above.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges are taken within 12 Working Days from the Bid/Issue Closing Date.

Bid/Issue Programme

Bid/Issue Period

BID/ISSUE OPENS ON	**25 May 2010**
BID/ISSUE CLOSES ON	**28 May 2010**

The Company may consider participation by Anchor Investors. The Anchor Investor Bid/Issue Period shall be the Business Day falling immediately prior to the Bid/Issue Opening Date.

The Issue shall be kept open for at least three Business Days and not more than ten Business Days. Except in relation to the Bids received from Anchor Investors, Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form or in the case of Bids submitted through the ASBA process, at the Designated Branches of the SCSBS and uploaded until: (i) 5.00 p.m. (Indian Standard Time) in case of Bids by QIB Bidders, and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000; and (ii) such time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders and Eligible Employees bidding under the Employee Portion where the Bid Amount is less than Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, some Bids may not be uploaded due to lack of sufficient time to upload. In such circumstances, Bids which have not been uploaded will not be considered for allocation under the Issue. Bids will only be accepted on Business Days.

Bids by the Bidders applying through ASBA process shall be uploaded by the SCSBs in the electronic system to be provided by the Stock Exchanges.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid cum Application Form, for a particular Bidder, the details as per the physical Bid cum Application Form of the Bidder may be taken as the final data for the purpose of Allotment.

The Company reserves the right to revise the Price Band during the Bid/Issue Period. Any upward or downward revision of the Cap Price or the Floor Price shall be in accordance with the SEBI Regulations provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price.

In the case of revision of the Price Band, the Bid/Issue Period will be extended for at least three additional Business Days after revision of the Price Band subject to the total Bid/Issue Period not exceeding 10 Business Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the SCSBs and the Stock Exchanges by issuing a press release and also by indicating the changes on the websites of the BRLMs and the terminals of the Syndicate.

Underwriting Agreement

In the opinion of the Board (based on a declaration/certificate given by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The Underwriters are registered with the SEBI or have been granted a Certificate of Registration by the SEBI to act as an underwriter in accordance with the SEBI (Underwriters) Regulations 1993 or the SEBI (Stock-Brokers and Sub-Brokers) Regulations 1992 or the SEBI (Merchant Bankers) Regulations 1992 and such certificate is valid and in existence and the Underwriters are hence entitled to carry on business as underwriters or registered as brokers with the Stock Exchange(s). After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, the Company will enter into an underwriting agreement with the Underwriters.

The Underwriters have indicated their intention to underwrite the following number of IDRs:

This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC.

Name and Address of the Underwriters	*Indicated Number of IDRs to be Underwritten*	*Amount Underwritten (Rs. in million)*
UBS Securities India Private Limited 2/F, 2 North Avenue Maker Maxity Bandra Kurla Complex Bandra (E) Mumbai 400 051	[●]	[●]
Goldman Sachs (India) Securities Private Limited Rational House, 951-A Appasaheb Marathe Marg Prabhadevi Mumbai 400 025	[●]	[●]
JM Financial Consultants Private Limited 141, Maker Chambers III Nariman Point Mumbai 400 021	[●]	[●]
DSP Merrill Lynch Limited 10th Floor, Mafatlal Centre Nariman Point Mumbai 400 021	[●]	[●]
Kotak Mahindra Capital Company Limited 1st Floor, Bakhtawar 229 Nariman Point Mumbai 400 021	[●]	[●]
SBI Capital Markets Limited 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005	[●]	[●]
JM Financial Services Private Limited Apeejay House 3 Dinshaw Vaccha Road Churchgate Mumbai 400 020	[●]	[●]
Kotak Securities Limited 1st Floor, Nirlon House Dr. Annie Besant Road Near Old Passport Office Worli, Mumbai 400 025	[●]	[●]

Name and Address of the Underwriters	*Indicated Number of IDRs to be Underwritten*	*Amount Underwritten (Rs. in million)*
SBICAP Securities Limited 191, Maker Tower 'F' Cuffe Parade Mumbai 400 005	[●]	[●]
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg Churchgate Mumbai 400 020	[●]	[●]

The above-mentioned is indicative underwriting and this will be finalized after the pricing and actual allocation.

Maintenance of Issue Proceeds

The Board certifies that all monies received from the Issue shall be credited/transferred to the Public Issue Account on or prior to the date of Allotment of IDRs. The funds will be maintained in this account and the Company shall have no recourse to such funds until the approval for trading of the IDRs from all the Stock Exchanges where listing is sought has been received.

Mechanism for Redress of Investor Grievances Concerning the Issue Process

The Registrar Agreement provides for retention of records by the Registrar to the Issue for a period of three years from the last date of dispatch of the letters of Allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue process may be addressed to the Registrar to the Issue, giving full details such as name and address of the applicant, number of IDRs applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

If the Registrar to the Issue is unable to resolve the grievance within one month of receipt, it shall be passed to the Depository for redress. In the event that the Depository is also unable to resolve the grievance within ten Business Days, it shall be passed to the Company for redress.

Mechanism for Redress of Routine Investor Grievances

The Company is not, under UK law or regulation, required to have a formal shareholder/investor grievance committee as typically set up by Indian companies. Instead, shareholders of the Company 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.

However, in relation to IDRs, the Registar shall endeavour to redress routine investor grievances within ten Business Days from the date of receipt of the complaint. In the case of complaints which the Registrar to the Issue is unable to resolve within that time, the Depository or the Company will seek to redress these complaints as expeditiously as possible.

Grievance register

The Registrar shall maintain a register of all received grievances from IDR Holders (whether concerning the process for the Issue and the listing of the IDRs, or of a routine nature) and shall send a regular grievance report to the Company, expected to be on a fortnightly basis. The Depository shall maintain, on behalf of the Company, a register of any such grievances which are escalated to it.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, application number, number of IDRs applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by such Bidders.

If the SCSB is unable to resolve the grievance within one month of receipt, it shall be passed to the Depository for redress. In the event that the Depository is also unable to resolve the grievance within ten Business Days, it shall be passed to the Company for resolution.

Compliance Officer and Jurisdiction

The Company has also appointed Kanchan Bhave as the Compliance Officer for this Issue and she may be contacted, in case of any pre-Issue or post-Issue-related problems, at the address provided above.

The Company undertakes to subject itself to the jurisdiction of courts in India having jurisdiction over the Stock Exchanges regarding grievances of IDR Holders.

Impersonation

Any person who makes, in a fictitious name, an application to the Company to subscribe for the IDRs or to otherwise induce the Company to allot IDRs to him or her or any other person in a fictitious name shall be subject to criminal action.

Details of availability of this Red Herring Prospectus and Bid cum Application Forms

Any investor (who is eligible to invest in the IDRs) who would like to obtain this Red Herring Prospectus and/or the Bid cum Applicable Form can obtain the same from the Company's principal office in India or from any of the Syndicate.

Amount and mode of payment seeking issue of IDRs

See the section titled "*Payment Instructions*" on page 400 of this Red Herring Prospectus.

Public comment on the Draft Red Herring Prospectus

During the public review period for the Draft Red Herring Prospectus for the Issue (which commenced on 30 March 2010 and ended on 20 April 2010), enquiries were received from the public as to why certain proceedings in India involving Standard Chartered Bank, India Branch had not been disclosed in the Draft Red Herring Prospectus. The enquiries related to three particular sets of proceedings as follows:-

(i) Proceedings being brought by Indian Sugar Exim Corporation Limited ("ISEC") against Standard Chartered Bank, India Branch and a related criminal complaint raised by ISEC in relation to certain derivative transactions undertaken by ISEC with Standard Chartered Bank, India Branch.

(ii) Proceedings being brought by the Enforcement Directorate against Standard Chartered Bank , India Branch in relation to an alleged failure to comply with foreign exchange regulations during the period February 1991 to September 1992.

(iii) Proceedings being brought by Standard Chartered Bank, India Branch as claimant against various counter-party banks for the recovery of losses which arose from the 1992 Bombay securities scam.

Under the SEBI Regulations, the Company is required to disclose material litigation. Applying the relevant materiality standard, the Company has concluded that none of the above proceedings are required to be disclosed in this Red Herring Prospectus.

Disclaimer

The Company, its Directors, the BRLMs and the Co-BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued at their instance and anyone placing reliance on any other source of information, including the Company's website www.standardchartered.com, shall be doing so at his or her own risk.

All information shall be made available by the Company and the BRLMs to the public and investors at large and no selective or additional information will be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centres or elsewhere.

Neither the Company nor the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the IDRs and will not issue, sell, pledge or transfer the IDRs to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire IDRs.

The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire IDRs.

The BRLMs and their respective associates and affiliates may engage in transactions with, and perform services for, the Company and their respective group companies, affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with the Company, for which they have received, and may in future receive, compensation. The BRLMs and the Co-BRLM have furnished to SEBI a due diligence certificate dated 10 May 2010 which reads as follows:

WE, THE UNDERNOTED, HAVE BEEN APPOINTED AS MERCHANT BANKERS (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "BOOK RUNNING LEAD MANAGERS") TO THE PROPOSED ISSUE OF IDRS BY THE COMPANY AND WE STATE AS FOLLOWS:

1. **THE RED HERRING PROSPECTUS (HEREINAFTER REFERRED TO AS THE "RHP") IS BEING FILED WITH SEBI IN COMPLIANCE WITH THE SEBI REGULATIONS OR ANY STATUTORY MODIFICATION OR RE-ENACTMENT THEREOF READ WITH THE IDR RULES, ON A PUBLIC BASIS, FOR APPROVAL.**

2. **WE HAVE EXAMINED THE DISCLOSURES MADE BY THE COMPANY IN JURISDICTIONS WHERE ITS UNDERLYING SHARES ARE LISTED SO AS TO ENSURE UNIFORMITY AND PARITY OF INFORMATION SHARED WITH INVESTORS ACROSS DIFFERENT REGULATORY JURISDICTIONS (HEREINAFTER REFERRED TO AS "PUBLICLY AVAILABLE INFORMATION") AND PARTICIPATED IN DISCUSSIONS WITH THE SENIOR MANAGEMENT OF THE COMPANY FOR THE PURPOSE OF PREPARING DISCLOSURES ON THE COMPANY IN THE RHP.**

3. **WE HAVE EXAMINED VARIOUS DOCUMENTS, MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO, IN CONNECTION WITH THE FINALISATION OF THE RHP PERTAINING TO THE SAID ISSUE.**

4. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS AND OTHER INDEPENDENT AGENCIES/EXPERTS/REPORTS, WE CONFIRM THAT:**

    (A) THE RHP FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE PUBLICLY AVAILABLE INFORMATION AND INFORMATION BASED ON REPRESENTATIONS MADE BY THE SENIOR MANAGEMENT OF THE COMPANY;

    (B) THE REQUIREMENTS UNDER THE IDR RULES AND THE SEBI REGULATIONS AND OTHER RELEVANT LAWS FRAMED BY THE SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

    (C) BASED ON THE PUBLICLY AVAILABLE INFORMATION AND REPRESENTATIONS MADE BY THE SENIOR MANAGEMENT OF THE COMPANY, THE DISCLOSURES MADE IN THE RHP ARE CERTIFIED TO BE TRUE AND ARE ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

5. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE OTHER INTERMEDIARIES NAMED IN THE RHP, ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

6. **WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

7. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION – NOT APPLICABLE.**

8. **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION FOR LISTING OF THE IDRS, IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE RHP. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION – TO BE COMPLIED WITH.**
9. **WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE COMPANY OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES IDRS BY WAY OF FIRM ALLOTMENT IN THE ISSUE – NOT APPLICABLE.**
10. **WE CERTIFY THAT DISCLOSURE HAS BEEN MADE IN THE RHP THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE IDRS IN DEMAT OR PHYSICAL MODE.**
11. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE RHP:**
    - **(A) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE IDRS OF THE COMPANY; AND**
    - **(B) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME.**
12. **WE CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE RHP HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY.**
13. **WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE COMPANY HAVE BEEN MADE IN THE RHP AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE COMPANY OR RELATING TO THE ISSUE, UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE IDRS OFFERED THROUGH THIS ISSUE, SHALL BE INFORMED THROUGH PUBLIC NOTICES/ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN – TO BE COMPLIED WITH.**
14. **WE CONFIRM THAT THE ABRIDGED PROSPECTUS CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE REGULATIONS – TO BE COMPLIED WITH.**
15. **WE CONFIRM THAT AGREEMENTS HAVE BEEN ENTERED INTO WITH BOTH THE DEPOSITORIES FOR DEMATERIALISATION OF THE IDRS OF THE COMPANY.**

Disclaimer Clause of the BSE

BSE has given vide its letter dated 7 April 2010, permission to the Company to use BSE's name in the Draft Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. BSE has scrutinized the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or

(ii) warrant that the Company's securities will be listed or will continue to be listed on BSE; or

(iii) take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company;

and it should not for any reason by deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter ref.: NSE/LIST/135723-H dated 21 April 2010, permission to the Company to use NSE's name in the Draft Red Herring Prospectus as one of the stock exchanges on which the IDRs are proposed to be listed. NSE has scrutinized the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Company, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire IDRs of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

SUMMARY OF THE ISSUE

The following is a general summary of the Issue of IDRs. For detailed information on the material rights, obligations and entitlements applicable to IDR Holders, please refer to the section titled "Frequently Asked Questions on the IDR Facility" on pages 44 to 53 of this Red Herring Prospectus and also the other sections referred to therein.

Issuer	Standard Chartered PLC, a public company incorporated in England and Wales with limited liability.
IDRs being offered and to be outstanding immediately after this Issue	240,000,000 IDRs are being offered in India and certain other jurisdictions (excluding the United States). The offering or sale of IDRs in certain jurisdictions other than India may be restricted by law.
Issue	Not less than 240,000,000 IDRs aggregating to Rs. [●] million.
Number of IDRs per Share	10 IDRs represent one Share.
Shares outstanding	As of 5 May 2010 there were 2,029,435,637 Shares outstanding.
Shares outstanding immediately after this Issue*	Immediately after this Issue there will be [●] Shares outstanding, including [●] Shares represented by the IDRs offered and sold in this Issue.
Issue Price	Rs. [●]** per IDR.
Use of Proceeds	The net Issue Proceeds, after deduction of management fees, underwriting fees, selling commissions and all other expenses associated with this Issue including listing fees of approximately Rs. [●], are expected to be approximately Rs. [●], million which will be used to support growth across the Company's business. In accordance with the decision of the Board, Standard Chartered's management will have flexibility in deploying the net Issue Proceeds. For further details, see section titled "*Use of Proceeds*" on page 355 of this Red Herring Prospectus.
Restriction on disposition of securities	The IDRs and the Shares to be represented by such IDRs, have not been, and will not be, registered under the US Securities Act. Offers and sales of the IDRs and the Shares will be subject to certain restrictions described in the section titled "*Transfer of Equity Shares and Depository Receipts*" on page 384 of this Red Herring Prospectus.
Risk Factors	For a discussion of risk factors, see the section titled "*Risk Factors*" on page 64 of this Red Herring Prospectus.
Listing and trading markets for the IDRs	Application will be made to admit the IDRs to trading on the BSE and the NSE.
Listing and trading markets for the Shares	The Shares are listed on the premium segment of the Official List and traded on the London Stock Exchange. The Shares are also listed and traded on the Hong Kong Stock Exchange.
Depository	Standard Chartered Bank, Mumbai.
Taxation	For a discussion of certain tax considerations relevant to an investment in the IDRs, see the section titled "*Taxation Framework in India and UK*" on page 411 of this Red Herring Prospectus.
Governing law	The Deposit Agreement will be governed by English law.
ISIN	INE028LZ1018

* This will be included at the Prospectus stage

** A discount of 5% to the Issue Price determined pursuant to the Book Building Process may be offered to the Retail Individual Bidders and the Eligible Employees whose Bid Amount does not exceed Rs. 100,000

Plan of Distribution (Ref: Clause 2(b) of Part A of Schedule XIX of SEBI Regulations)

In accordance with Regulation 98 of SEBI Regulations, the Issue is being made through a 100% Book Building Process where at least 50% of the Issue will be Allotted to QIBs on a proportionate basis. Provided that the Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis out of which one-third shall be reserved for domestic Mutual Funds. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Furthermore not less than 18% of the Issue should be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders. Further, not less than 2% of the Issue shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received from them at or above the Issue Price, in Employee Portion. Under-subscription, if any, in any category except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange.

Markets (Ref: Clause 2(c) of Part A of Schedule XIX of SEBI Regulations)

The IDRs have not been and will not be registered under the US Securities Act or any state securities laws in the US and may not be offered or sold within the US (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. Accordingly, the IDRs are being offered outside of the US in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Dilution (Ref: Clause 2(e) of Part A of Schedule XIX of SEBI Regulations)

As of 5 May 2010, the Issue would imply a dilution of 1.17% on the basis of the post Issue capital of the Company.

Expenses of the Issue (Ref: Clause 2(f) of Part A of Schedule XIX of SEBI Regulations)

See "*Issue Expenses*" in the section titled "*Use of Proceeds*" on page 355 of this Red Herring Prospectus.

FREQUENTLY ASKED QUESTIONS ON THE IDR FACILITY

The following provides a summary of only the material rights, obligations and entitlements of the IDR Holders in respect of the IDRs. This summary is derived from and should be read in conjunction with, the sections of this Red Herring Prospectus listed below, the terms of which shall prevail to the extent of any inconsistency with the terms set out in this section:

- *''Terms and Conditions of the Indian Depository Receipts'' on page 356 of this Red Herring Prospectus;*
- *''Risks relating to the Investment in IDRs'' in the section titled ''Risk Factors'' on page 64 of this Red Herring Prospectus;*
- *''Information on the Depository and Certain Important Information in respect of the Shares while in IDR form'' on page 379 of this Red Herring Prospectus;*
- *''Summary of Certain Provisions relating to the IDRs while in Dematerialised Form'' on page 382 of this Red Herring Prospectus;*
- *''Transfer of Equity Shares and Depository Receipts'' on page 384 of this Red Herring Prospectus;*
- *''Foreign Investment, Exchange Controls and other Indian laws'' on page 428 of this Red Herring Prospectus; and*
- *''Taxation Framework in India and UK'' on page 411 of this Red Herring Prospectus.*

Capitalised terms used herein and not otherwise defined have the respective meanings given to such terms in the section titled ''Terms and Conditions of the Indian Depository Receipts'' on page 356 of this Red Herring Prospectus.

In addition, information contained in any of the websites listed herein does not form part of this Red Herring Prospectus.

THE IDR FACILITY, PRINCIPAL PARTICIPANTS AND KEY DOCUMENTATION

What are IDRs?

IDRs are depository receipts denominated in Indian Rupees issued by the Depository. Every 10 IDRs will represent an ownership interest in one Share. Shares underlying the IDRs will be deposited with the Custodian who will hold the Shares on behalf of the Depository in accordance with the terms of the Custody Agreement (for the purposes of this section, referred to as the ''Deposited Shares''). Each IDR will also represent any securities, cash or other property attributable to the Deposited Shares that has been deposited with the Custodian or the Depository but has not been directly distributed to the IDR Holders (for the purposes of this section, together with the Deposited Shares, referred to as the ''Deposited Property'').

Pursuant to the Issue, 240,000,000 IDRs representing 24,000,000 Deposited Shares will initially be issued by the Depository. Every 10 IDRs represent one Share.

Who are the principal participants in the IDR Facility and what are their roles?

The principal participants in the IDR Facility are the Company, the Custodian, the Depository and the Registrar.

Under the IDR Facility, the Company deposits the Deposited Shares with the Custodian who holds the Deposited Shares on behalf of the Depository. The Company owes certain obligations to the Depository (and, under a Deed Poll executed by the Company to the IDR Holders) in respect of the Deposited Property under the Deposit Agreement. These obligations are described further throughout this summary.

The Depository is appointed by the Company pursuant to the Deposit Agreement. The Depository will issue the IDRs representing the Deposited Shares to IDR Holders and will hold the Deposited Property (and all rights, benefits and obligations attaching thereto) as bare trustee under English law for the IDR Holders. The Depository owes certain obligations to IDR Holders in respect of the Deposited Property under the terms and conditions of the IDRs. These obligations are described further throughout this summary.

The Custodian is appointed by the Depository pursuant to the Custody Agreement. The Custodian will hold the Deposited Property on behalf of the Depository and will, upon receipt of instructions from the Depository, take certain actions with respect to the Deposited Property to enable IDR Holders to obtain the benefit of such Deposited Property.

The Registrar is appointed by the Company and the Depository under the Registrar Agreement and the Transfer Agent Agreement to provide certain services to the Depository in relation to the IDR Facility.

In the event that the appointment of any of the Depository, the Custodian or the Registrar is terminated or any of those entities resigns from office, no such resignation or termination of appointment will be effective until a successor entity has been appointed to act in the relevant capacity. IDR Holders will be notified of any such changes.

Where are the rights and obligations of IDR Holders under the terms of the IDRs set out?

The rights and obligations of IDR Holders in respect of the IDRs are set out in the terms and conditions of the IDRs which are set out in full in the section titled "*Terms and Conditions of the Indian Depository Receipts*" on page 356 of this Red Herring Prospectus. IDR Holders can also view a copy of the Conditions after the filing of this Red Herring Prospectus on the websites of each of the Company, the Depository and the Registrar which are www.standardchartered.com, www.standardchartered.co.in and www.karvy.com.

The Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement. IDR Holders can view a copy of the Deposit Agreement at the registered office of the Depository at 90 Mahatma Gandhi Road, Fort Mumbai from 10.00 a.m. to 4.00 p.m. on any Business Day.

Can IDR Holders deposit further Shares in the IDR Facility?

IDR Holders cannot deposit further Shares in the IDR Facility. The Company may deposit further Shares in the IDR Facility in limited circumstances. For example, additional Shares may be deposited in the IDR Facility in the event that (i) such Shares are issued as a dividend or free distribution on Deposited Shares; (ii) such Shares are acquired by IDR Holders from the Company during a rights issue; or (iii) such Shares are issued by the Company to the IDR Holders in respect of the Deposited Shares as a result of any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or upon any reorganisation, merger or consolidation of the Company. However, such deposits of further shares would be subject to certain limitations as further described herein. Other shareholders of the Company cannot deposit shares in the IDR Facility.

Can IDR Holders withdraw the Deposited Shares represented by the IDRs from the IDR Facility?

IDR Holders may only withdraw the Deposited Shares with the prior approval of the RBI. In addition, under Indian law, there is an absolute prohibition on the withdrawal of Deposited Shares for a period of one year following the date of the issue of the IDRs. Each IDR Holder will have to individually approach the RBI for such approval at their own expense. At present, there is no specified format for making such an application. An IDR Holder will have to make a general application pursuant to the provisions of FEMA. There can be no assurance that such approval will be granted by the RBI in a timely manner or at all. Moreover, IDR Holders will not be able to withdraw fractions of Shares.

In addition, IDR Holders who are able to cancel their IDRs and become shareholders of the Company may still be subject to certain limitations not applicable to other shareholders. See the risk factor titled "*IDR Holders that are able to cancel their IDRs and become shareholders of the Company may still be subject to certain limitations not applicable to other shareholders*" in the section titled "*Risk Factors*" on page 64 of this Red Herring Prospectus for further information.

If an IDR Holder withdraws Deposited Shares having obtained the required approvals, the IDR Holder will be required to provide a Withdrawal Order in the form annexed to the Deposit Agreement (a copy of which can be obtained from the Registrar) to the Depository, pay a fee of US$0.05 or less (exchanged into INR at prevailing exchange rates) per Deposited Share evidenced by those IDRs to the Depository and have such Shares registered in the IDR Holder's name or that of a designated nominee. A Withdrawal Order cannot be given in respect of a fraction of a Deposited Share. Deposited Shares, once withdrawn, may be traded on the London Stock Exchange (or, upon completion of certain procedures by an IDR Holder, on the Hong Kong Stock Exchange). Following withdrawal of the Deposited Shares, IDR Holders would also have to pay certain customary fees and charges in connection with the trading of such withdrawn Shares on these stock exchanges, which would include brokerage commissions and applicable stamp duties. Persons resident in India (excluding listed Indian companies and Mutual Funds) are allowed to hold the Deposited Shares only for the purpose of sale within a period of 30 days from the date of conversion of IDRs.

OWNERSHIP AND TRANSFER OF IDRS

Who can hold IDRs?

Pursuant to the current SEBI Regulations and the RBI Circular, IDRs may be held, purchased or transferred by Retail Individual Bidders, non-institutional bidders and qualified institutional bidders including persons resident in India, NRIs and FIIs, including SEBI approved sub-accounts of FIIs registered with SEBI, or to, or for the account or benefit of, such persons, in each case subject to applicable laws. Insurance companies (other than Eligible Insurance Companies) are not permitted to invest in or hold IDRs. Commercial banks may invest or hold IDRs subject to compliance with applicable prudential limits specified by the RBI from time to time.

How will IDR Holders acquire and hold the IDRs?

The IDRs will initially be represented by Dematerialised IDRs evidenced by the Register maintained or procured to be maintained by the Depository showing the latest available registered holding position received from NSDL and CDSL. NSDL and CDSL will credit the dematerialised account of an IDR Holder with the relevant number of IDRs held by that IDR Holder.

Can IDR Holders ever hold IDRs in physical form?

IDR Holders may, at their option, elect to hold the IDRs in physical form represented by an IDR Certificate, rather than in electronic form represented by Dematerialised IDRs. IDR Holders will be required to pay a sum per IDR Certificate which is determined by the Depository to be a reasonable charge to reflect the work, costs and expenses involved, if such an election is made. In addition, IDR Holders will be entitled to receive IDR Certificates at the expense of the Company upon the occurrence of certain events relating to NSDL and CDSL ceasing to operate or in the event that the Depository determines that by holding IDR Certificates certain deductions or withholdings from payments to IDR Holders would be avoided.

Can IDRs be transferred?

IDRs will be listed on the Stock Exchanges and may be bought and sold through the facilities of the Stock Exchanges in accordance with the procedures, rules and regulations and other applicable laws relating to the transfer of listed securities in India.

FEES AND OTHER PAYMENTS BY IDR HOLDERS

Are there any fees and charges payable by IDR Holders to the Depository with respect to the IDRs?

IDR Holders are required to pay a fixed fee of US$0.05 or less (exchanged into INR at prevailing exchange rates) per Share evidenced by 10 IDRs upon a withdrawal of the Shares from the IDR Facility and on the issue of any future IDRs (other than the Issue).

For services performed by the Depository, any of the Depository's agents, including the Custodian, or the agents of the Depository's agents in connection with the IDRs, in relation to the servicing of Deposited Shares or other Deposited Property, IDR Holders will be charged a fee of US$0.016 or less per Share evidenced by 10 IDRs (and a proportionate amount where an IDR Holder holds less than 10 IDRs representing less than a Share), and that amount will be deducted by the Depository from each cash dividend or other cash distribution received by the Depository on or in respect of the underlying Shares or other Deposited Property.

The service fee per Share evidenced by the IDRs will be calculated on a sliding scale depending on the amount of the dividend per Share as illustrated by the following table:

Dividend (US$)		*Service fee (US$)*
From	*To*	
0	0.0049	–
0.0049	0.009	0.0010
0.009	0.014	0.0020
0.014	0.019	0.0030
0.019	0.024	0.0040
0.024	0.049	0.0050
0.049	0.099	0.0100
0.099	0.149	0.0120
0.149	0.199	0.0130
0.199	0.249	0.0150
0.249	100	0.0160

In respect of any issue of rights or distribution of Shares (whether or not evidenced by IDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution, IDR Holders will be required to pay a sum per IDR which is determined by the Depository to be a reasonable charge to reflect the costs and expenses incurred by or on behalf of the Company or the Depository or any of the Depository's agents, including the Custodian, or the agents of the Depository's agents, in connection with such issue of rights or distribution of Shares or other securities or other property.

Are there any other fees and charges that are likely to be payable by IDR Holders?

Certain additional fees may become payable if particular services are requested by IDR Holders. For example, if an IDR Holder requests the issue of an IDR Certificate in definitive registered form (including in replacement for a mutilated, defaced, lost, stolen or destroyed IDR Certificate), subject to indemnification where appropriate, there would be a charge per IDR Certificate that is determined by the Depository to be a reasonable charge to reflect the work, costs (including printing costs) and expenses involved. In addition, there would be an administrative charge for the provision of copies of certain documents, such as the Deposit Agreement, upon request by an IDR Holder. The Depository is also entitled to charge IDR Holders for all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Depository, the Registrar or the Custodian, or any of their agents, in connection with its services.

IDR Holders will also have to pay the Depository certain fees together with any costs, charges, taxes and expenses incurred by the Depository if and when it assists IDR Holders in participating in a tender offer, open market buy-back or takeover offer in respect of the Shares including in a tender of Shares to the Company following a de-listing of the Shares from the London Stock Exchange.

Who pays taxes arising in relation to the IDRs?

The Company will pay all taxes and stamp duties in the United Kingdom and India associated with the initial issuance of the Deposited Shares to the Custodian in accordance with the terms of the IDR Facility. IDR Holders will be responsible for all other taxes or other governmental charges payable on the IDRs or on the Deposited Shares.

The Depository is not liable for any taxes, duties in the United Kingdom and India, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the IDRs. Such part thereof as is proportionate or referable to an IDR shall be payable by the IDR Holder to the Depository at any time on request or may be deducted from any amount due or becoming due on such IDR in respect of any dividend or other distribution. A failure to comply with such request may result in the sale of the Deposited Shares represented by the IDRs of the defaulting IDR Holder.

Payments to IDR Holders of dividends or other distributions in respect of the Deposited Shares shall be subject to deduction of applicable withholding taxes. For further details on tax aspects, IDR Holders should refer to the section titled "*Taxation Framework in India and UK*" on pages 411 to 418 of this Red Herring Prospectus.

RIGHTS AND ENTITLEMENTS OF IDR HOLDERS

Are IDR Holders entitled to the same rights and entitlements as holders of Shares?

The Company has agreed that for all corporate actions (including voting, rights issues, the payment of dividends and other distributions), it will treat IDR Holders on an equitable basis vis-à-vis other holders of Shares in the home country of the Company. Additionally, where the Shares are also listed on other exchanges in addition to its home country, the Company will ensure that IDR Holders are also treated on an equitable basis vis-à-vis the holders of such Shares in other jurisdictions where the Shares are listed. In circumstances where certain corporate actions, which are available to the holders of Shares in the home country of the Company and other jurisdictions where the Shares are listed, are not permitted by Indian laws to be offered to IDR Holders, the Company has agreed to provide equitable treatment to the IDR Holders for such corporate actions as allowed by applicable law and to the extent possible. The practical effect of the Company's obligation in this regard is that, subject to certain exceptions, whenever the Company and/or the Depository is unable to make distributions available to the IDR Holders, the Depository will try and sell the Deposited Property that is the subject of the distribution on behalf of the IDR Holders and distribute the net proceeds thereof as a cash distribution to the IDR Holders. However, there is no assurance as to the value, if any, that the Depository would receive upon the sale of such Deposited Property.

Subject to this general principle, the rights of IDR Holders will be affected by certain operational practices of and the requirement to pay certain fees to the Depository, as a result of participating in the IDR Facility, which would not be applicable to other holders of Shares.

The principal practical limitation is the additional procedural step involved in communicating with IDR Holders which can limit the ability of IDR Holders to exercise their rights and receive their entitlements in respect of various corporate actions relating to the Company under the Conditions. Holders of the Shares of the Company will receive notice directly from the Company and will be able to submit their instructions in respect of any corporate action directly to the Company or, if applicable, a third party. IDR Holders, in contrast, will receive the notice in accordance with the Deposit Agreement. Pursuant to the Deposit Agreement the Company will provide the notice to the Depository. The Depository shall as soon as reasonably practicable forward to the IDR Holders notice of such event and, in any event, no later than ten days before the date of the relevant meeting and/or the date of acceptance of instructions in relation to the relevant corporate action. In order to exercise their right to participate in a corporate action relating to the Company, IDR Holders must provide their instruction in respect of the corporate event to the Depository. Because of this additional procedural step, the process for the submission of instructions may take longer for IDR Holders than for holders of the Shares. Further, IDR Holders may not be able to receive the documentation relating to the corporate event in time to enable them to return their instructions to the Depository in a timely manner. IDRs for which the Depository does not receive timely instructions will not be eligible to participate in the corporate event.

Where can I find information on the rights and entitlements of holders of Shares?

For information on certain of the rights and entitlements of holders of Shares, IDR Holders should refer to the sections titled "*Main Provisions of the Articles of Association*" and "*Dividends*" on pages 462 to 467 and 345 to 347 respectively of this Red Herring Prospectus.

The Company is incorporated under the laws of England and Wales and is also subject to certain obligations as a consequence of its shares being listed on the London Stock Exchange and the Hong Kong Stock Exchange. For these and other reasons, the rights of a shareholder of the Company differ in certain respects from holders of equity shares in a company that is incorporated in India. For a summary of certain of these differences, please refer to the sections titled "*Comparison of Rights of Shareholders*" and "*Comparison of Corporate Governance*" on pages 431 to 439 and 440 to 448 respectively of this Red Herring Prospectus.

What will be the record date for the purposes of determining an IDR Holder's entitlement to distributions?

An IDR Holder will only be entitled to receive distributions if it is an IDR Holder on the record date established by the Depository. This record date shall be the same date as the corresponding record date set by the Company in respect of the Shares or, if different from the record date set by the Company, shall be set after consultation with the Company and shall be as near as practicable to any record date set by the Company. Notice of such record date shall be given promptly by the Depository to IDR Holders.

Will IDR Holders receive cash dividends and other cash distributions on the Deposited Shares represented by the IDRs?

An IDR Holder will be entitled to dividends and other cash distributions in respect of the Deposited Shares represented by their IDRs if the Company declares such a cash dividend or cash distribution to be payable to holders of Shares (and the Depository receives from the Company such cash dividend or other cash distribution) and the IDR Holder is registered as an IDR Holder on the relevant record date set by the Depository.

Payments of cash dividends and other cash amounts in respect of IDRs represented by Dematerialised IDRs will be made by the Depository through the Registrar.

Any dividend or other sum payable in cash in respect of the IDRs to IDR Holders, will be paid by cheque, demand draft or pay order sent by post to the IDR Holder at his registered address recorded in the Register maintained by the Registrar.

Prior to distribution, the Depository will make reasonable efforts to convert the amount received into Indian Rupees. If it is impractical to effect such conversion, the Depository may distribute the dividend in the relevant foreign currency to the extent permitted under applicable law or hold such other currency for the benefit of IDR Holders entitled thereto. The Depository is under no obligation to invest any currency that it cannot convert and it will not be liable for any interest. If exchange rates fluctuate during a time when the Depository cannot convert such cash distribution, IDR Holders may lose some or all of the value of the distributions.

Will IDR Holders receive any dividends or other distributions on the Deposited Shares represented by the IDRs that are not in the form of cash?

IDR Holders should be aware that there are certain limitations on the ability of the Company to make available to IDR Holders through the Depository any dividends or other distributions on the Deposited Shares that are not in the form of cash. This is because of provisions of English law and the potential application of certain provisions of Indian law. See the risk factor titled "*Certain corporate actions of the Company may entitle existing shareholders of the Company to receive further Shares from the Company. However, the ability of IDR Holders to receive such further shares from the Company (either in the form of Shares or IDRs representing the Shares) may be restricted*" in the section titled "*Risk Factors*" on page 64 of this Red Herring Prospectus for further information.

This would be particularly applicable if the Company were to undertake a rights issue or a bonus issue of shares or offer holders of Shares the right to receive Shares instead of all or part of a cash dividend (a scrip dividend alternative) and the IDR Holder were to accept this option. In relation to a scrip dividend alternative, the Company would normally send a circular to holders of Shares giving details of the terms of the relevant election and how an election can be made, together with a form of election stating the number of new Shares that a holder is entitled to receive instead of the cash dividend. If the Company determines that it is permissible and practical for IDR Holders to participate in any scrip dividend alternative, IDR Holders would receive the relevant notice of election and be entitled to submit their election through the Depository.

Other distributions

If the Depository receives any distribution in securities (other than Shares) or in other property (other than cash), the Depository will distribute such securities or other property to the IDR Holders entitled thereto in a manner deemed equitable and practicable by the Depository subject to applicable laws (which may involve the sale of such securities or other property and the distribution of the sale proceeds as a cash distribution to the IDR Holders entitled thereto).

What happens in the event that the Company undertakes a rights issue?

IDR Holders should be aware that there are certain limitations on the ability of the Company to make a rights issue available to IDR Holders through the Depository because of provisions of English law and the potential application of certain provisions of Indian law. See "*Risks relating to the Investment in IDRs*" in the section titled "*Risk Factors*" on page 64 of this Red Herring Prospectus for further information.

In addition, making a rights issue available to IDR Holders could have timetable implications that cannot be satisfactorily resolved and which may make it difficult for the Company to undertake a rights issue simultaneously in the UK and in India. Whilst the time period between the date of announcement and the date of allotment is 10 Business Days in a rights issue in the UK, the existing guidelines on rights issues in India require that the rights issue be kept open for a substantially longer period. In light of the existing differences in the timeline followed for a rights issue in the UK and in India, it would be difficult for the Company to undertake the rights issue simultaneously in the UK and in India. A rights issue to the same class of shareholder may not be able to operate on two different time lines as this would give rise to trading and fungibility issues as well as questions in the home market on equality of treatment of shareholders, where shareholders in certain jurisdictions are given a longer time frame within which to accept.

Given the limitations above, it is likely that, subject to certain conditions, the Depository will exercise the option available under the Conditions to either sell such rights and distribute the net proceeds of the IDR Holders entitled thereto or, in the event that is not lawful or practicable, for the Depository to take such action, to permit the rights to lapse and notify the IDR Holders of such decision.

However, the Depository may, in substitution of this option, if it is lawful or practicable to do so, either: (i) take such steps as are necessary to enable IDR Holders to subscribe for the Shares represented by such rights, and issue additional IDRs to the IDR Holders who subscribe for such Shares; (ii) distribute the rights themselves to the IDR Holders; or (iii) arrange for IDR Holders to subscribe for any additional rights which are available due to lack of take-up by other holders of Shares. In the event that it is not lawful or practicable for the Depository to take any of these specified actions or if there are rights to which the IDR Holders are not entitled because of fractional entitlements to shares, the Depository shall permit the rights or, as applicable, the relevant rights to lapse and will notify the IDR Holders of such decision.

If the Depository determines to take such steps as are necessary to implement the option set out in (i) above, IDR Holders who elect to take up such rights will be obliged to pay an amount to the Depository representing (in Indian Rupees) an amount equal to the subscription price for such rights plus any additional amount in respect of such subscription price to ensure that the Depository (acting in good faith) will, after conversion of such Indian Rupees into the currency by which subscriptions may be made, have sufficient funds to satisfy the subscription price taking account of any possible fluctuations in rates of foreign currency. Following conversion of this amount by the Depository to the relevant foreign currency and payment of the subscription price in the relevant foreign currency, the Depository will return any surplus subscription amounts (after converting such amounts into Indian Rupees) to IDR Holders at the time of issue of the additional IDRs representing the new Deposited Shares or as a cash distribution.

Will IDR Holders be entitled to vote the Deposited Shares represented by the IDRs?

IDR Holders have voting rights with respect to the Deposited Shares and will generally be entitled to vote on resolutions of the Company. The Articles of the Company provide that a shareholder is required to hold four Shares in order to register one vote on a poll. Accordingly the IDR Holders are required to hold IDRs representing at least four Shares so as to register one vote on a poll. For further information on the voting rights attached to the Shares please see the section titled "*Main Provisions of the Articles of Association*" on page 462 of this Red Herring Prospectus. If IDR Holders wish to attend shareholder meetings they will be able to instruct the Depository to appoint them as proxy in respect of the Shares underlying the IDRs. IDR Holders are entitled to instruct the Depository to exercise voting rights in respect of the Shares represented by their IDRs subject to the right of the Depository to request certain legal opinions from the Company's legal counsel in advance of any such exercise in certain limited circumstances.

The Company will provide notice of any meetings where votes will be cast to the Depository. Upon receiving such notice, the Depository will send to IDR Holders a notice (with a requirement under the Deposit Agreement to provide such notice no less than 10 days before the date of the relevant meeting) stating: (i) such information as is contained in the notice provided by the Company to the Depository; (ii) the date by which voting instructions must be received from IDR Holders; (iii) the manner in which such instructions may be given to the Depository; and (iv) how the IDR Holders may instruct the Depository in respect of the Shares represented by that IDR Holders' IDRs.

Following receipt of such instructions from IDR Holders, the Depository will procure that the Custodian shall appoint the relevant persons as proxies in respect of the Deposited Shares as specified in the instruction provided by IDR Holders to the Depository.

The Depository will not vote or cause to be voted any Deposited Shares unless specifically instructed by an IDR Holder. If an IDR Holder does not so instruct the Depository, the votes attaching to the Deposited Shares will be counted as an abstention.

There are practical limitations upon the IDR Holders' ability to exercise their voting rights due to the additional procedural steps involved in communicating with IDR Holders. Holders of the Shares will receive notice directly from the Company and will be able to exercise their voting rights by either attending the meeting in person or voting by power of attorney. IDR Holders, in contrast, will not receive notice directly from the Company. Rather, in accordance with the Deposit Agreement, the Company will provide the notice to the Depository. The Depository has undertaken, in turn, as soon as practicable thereafter, to forward to the IDR Holders such notices, the voting instructions, if and as received by the Depository from the Company, and a statement as to the manner in which instructions may be given by IDR Holders. To exercise their voting rights, IDR Holders must then instruct the Depository how to vote the Shares evidenced by the IDRs they hold or instruct the Depository to appoint a proxy. Because of this additional procedural step involving the Depository, the process for the exercise of voting rights may take longer for IDR Holders than for holders of the Shares. IDR Holders may not be able to receive voting materials in time to enable them to return voting instructions to the Depository in a timely manner, and IDRs for which the Depository does not receive timely voting instructions will not be voted.

What happens in the event of a capital reorganisation?

In the event of any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital or reorganisation, merger or consolidation of the Company, the Depository will give notice of such event to IDR Holders and, in its discretion, may distribute any Shares, cash or other property received from the Company pursuant to such event to the IDR Holders as it would distribute any regular distribution under the Conditions subject, in each case, to the limitations in respect of certain distributions that are not in the form of cash described elsewhere in this section.

Will IDR Holders be able to participate in tender offers, open-market buy-backs or takeover offers relating to the Shares?

In the event that an open-market buy-back, tender offer or takeover offer is made with respect to the Shares, the Depository and the Company will be obliged to take certain reasonable steps to enable IDR Holders to participate in such events in the same manner and to the same extent as holders of the Shares. Such steps will include the submission, at the election of the IDR Holder, of the Deposited Shares represented by the IDRs for purchase to the Company or (in the case of a takeover offer) to the third party acquirer, and the distribution of the proceeds of such sale by the Depository to the IDR Holder in the event that the Deposited Shares are acquired pursuant to the open-market buy-back, tender offer or takeover offer.

Can the Deposited Shares represented by the IDRs be compulsorily acquired?

In the event that, pursuant to a takeover offer or otherwise, any person acquires 90% or more of the Shares, that person is entitled under the UK Companies Act to compulsorily acquire any Shares held by any person, including Deposited Shares represented by IDRs.

What happens if an IDR holding does not represent a whole number of Shares?

The rights of an IDR Holder will in general not be affected. So, for example, IDR Holders will have a proportionate entitlement to cash dividends, IDR Holders will receive all company communications which are sent to its Shareholders and the IDR Holders will be entitled to vote at a general meeting on a show of hands in respect of IDRs representing one Share and on a poll in respect of IDRs representing four Shares. Where IDRs represent less than a whole number of Shares, entitlements to participate in corporate actions, such as rights issues and share distributions will be affected. In these circumstances, the IDR Holders will receive their proportionate entitlement to any cash amount which may be received by the Depository in respect of the relevant corporate action.

INFORMATION TO BE PROVIDED TO IDR HOLDERS BY THE DEPOSITORY

What notices relating to the IDRs will be provided to IDR Holders and how?

IDR Holders will, in general, receive through the Depository, a copy of all notices given by the Company to its shareholders.

All notices will be mailed to IDR Holders at their respective addresses recorded in the Register maintained by the Registrar and, so long as the IDRs are listed on the BSE and/or the NSE and the rules of such exchanges so require, such notices will also be published in one leading Hindi and one leading English national newspaper in India.

What other information will IDR Holders be sent?

IDR Holders will be sent annual reports, prepared in accordance with the requirements of the IDR Listing Agreement and applicable laws.

In certain circumstances, if permitted by applicable law, IDR Holders may only receive such information in electronic format, including by way of reference to a website where such information will be made available.

OBLIGATIONS OF IDR HOLDERS

Are IDR Holders required to disclose their ownership of the IDRs?

In certain circumstances, following receipt of a request from the Company or the Depository, IDR Holders may be required to provide information as to the capacity in which they hold or held IDRs and regarding the identity of any other persons then or previously interested in such IDRs and the nature of such interest and various other matters.

In addition, IDR Holders are also required to notify the Company in the event that they hold (whether through the IDR Facility or otherwise) 3% or more of the voting rights attached to the Shares of the Company and also at certain other specified thresholds. For a more detailed description of the nature of the legal obligations of IDR Holders in this regard and the consequences of non-compliance, see the section titled "*Information on the Depository and certain important information in respect of the Shares while in IDR form – Important legal information – Disclosure of shareholdings under the Disclosure and Transparency Rules*" on pages 379 to 381 of this Red Herring Prospectus. For information on how IDR Holders can make such notifications, see the section titled "*Information on the Depository and certain important information in respect of the Shares while in IDR form – Important procedure-related Information – Making notifications in respect of the underlying Shares*" on page 381 of this Red Herring Prospectus.

An IDR Holder should be aware that non-compliance with such notification obligations could lead to it being subject to certain sanctions. Accordingly, each IDR Holder is advised to actively monitor all communications received by it at the mailing address recorded in the Register maintained by the Registrar for: (i) any information requests received from the Company or the Depository pursuant to Condition 20.2 and Condition 20.3; and (ii) independently, its obligation to comply with the Disclosure and Transparency Rules as set out in Condition 20.5.

AMENDMENT OF THE TERMS AND CONDITIONS

Can the terms and conditions of the IDRs be altered?

All and any of the terms and conditions of the Deposit Agreement may, at any time, and from time to time, be amended by written agreement between the Company and the Depository, provided that any approval of such regulatory authority as may be required in India, the United Kingdom or Hong Kong which is deemed necessary or desirable is first obtained.

Notice of any such amendment will be given to IDR Holders. Any amendment which increases or imposes fees or charges payable by IDR Holders or which is otherwise materially prejudicial to IDR Holders (as a class) will not become effective until three months after such notice is given to IDR Holders. During this three month period, IDR Holders may withdraw the Deposited Shares represented by their IDRs free of charge but otherwise in accordance with the Conditions. However, please refer above for certain restrictions that apply to the withdrawal of Shares by IDR Holders. Any IDR Holder who does not withdraw the Deposited Shares during this three month period will be deemed to have approved the relevant amendment and will be bound by such amendment.

DISPUTES IN RELATION TO THE IDRs

How can IDR Holders enforce the obligations of the Depository and the Company?

The Company has executed a Deed Poll which entitles an IDR Holder to enforce any provision(s) of the Deposit Agreement with which the Company fails to comply as if the IDR Holder were a party to the Deposit Agreement and was the Depository. The Deed Poll and the Deposit Agreement are governed by English law. IDR Holders may refer such dispute to arbitration in India in accordance with the Arbitration and Conciliation Act.

Under the terms of issue of the IDRs, the Company, the Depository and IDR Holders from time to time agree that any dispute, controversy, cause of action or proceeding brought by any of them (including, for the avoidance of doubt, any former IDR Holders) arising out of or relating to the Deposited Shares or other Deposited Property, the IDRs or the Deposit Agreement, or any breach thereof, including any question regarding existence, validity, termination, and any counterclaims that may be related thereto, must be referred to, and finally resolved by, binding arbitration in accordance with the Arbitration and Conciliation Act. Notices in this regard can be sent to the Compliance Officer appointed by the Company.

LIMITATIONS ON THE OBLIGATIONS OF THE COMPANY AND THE DEPOSITORY

Are there any limitations on the obligations and liability of the Company and the Depository?

The Conditions and the Deposit Agreement expressly limit the obligations and liability of the Company and the Depository.

Neither the Company nor the Depository shall incur any liability to an IDR Holder if either of them shall be prevented, delayed or forbidden from doing or performing any act which they are required to perform by reason of (i) any provision of any present laws (save for Indian and English law) or any future applicable law or regulation of any country or of any relevant governmental authority or interpretation thereof; (ii) any future provision of the constitutive documents of the Company; or (iii) any other circumstances beyond their control.

Further, save in cases of wilful default, negligence or bad faith and, in certain cases, breach of contract, the Depository shall not be liable for (i) exercising or any failure to exercise discretion under the Deposit Agreement; (ii) having accepted as valid or not having rejected any certificate for

Shares or any IDR Certificate purporting to be such and subsequently found to be forged or not authentic; (iii) any terms of sale or conversion of any Deposited Property, if required, or if such sale or conversion shall not be possible for any reason; or (iv) any failure to determine that it may be lawful or practicable to make rights available to IDR Holders in general or to any IDR Holder in particular in connection with a rights issue of the Company.

TERMINATION OF THE IDR FACILITY

Under what circumstances may the IDR Facility be terminated (by means of a termination of the Deposit Agreement) and what happens in these circumstances?

There are three circumstances in which the IDR Facility (by means of a termination of the Deposit Agreement) may be terminated and the IDRs consequently delisted: (i) at the option of the Company; (ii) by the Stock Exchanges by reason of a breach by the Company of applicable rules and regulations; or (iii) if the Shares are delisted resulting in such Shares not being listed on any securities exchange in any jurisdiction.

Under the Deposit Agreement, the Depository is required to give notice of termination of the IDR Facility (by means of termination of the Deposit Agreement) to IDR Holders and the consequent delisting of the IDRs under each of the circumstances described above.

In the case of a termination of the Deposit Agreement and consequent de-listing of the IDRs for the reasons described under (i) and (ii) above, there are two alternative ways in which value may be returned to IDR Holders: either (1) each IDR Holder may elect to receive the relevant Deposited Property on payment of any sums payable by the Depository to the Custodian and/or any other expenses incurred by the Depository in connection with such withdrawal (the right to withdraw being subject to certain limitations as described elsewhere in this section); or (2) the Depository will sell the Shares attributable to the relevant IDRs and will deliver the net proceeds of any such sale, together with any other Deposited Property then held by it under the Deposit Agreement, *pro rata* to the relevant IDR Holders.

In the case of a sale of Shares under (2) above, the Shares will be sold at the prevailing market rate on the London Stock Exchange and the cash distributed to that IDR Holder within 15 Business Days of the completion of the sale of all of the relevant Deposited Property. Neither the Depository, the Company nor any of their respective agents will be responsible or liable for any loss or damage (whether actual or alleged) arising from the terms of or timing of any sale.

In the case of a termination of the Deposit Agreement and consequent de-listing of the IDRs for the reasons described under (iii) above, the IDR Holders will receive the Shares and other Deposited Property relating to their IDRs on payment by the IDR Holders of any sums payable by the Depository to the Custodian and/or any other expenses incurred by the Depository in connection with such delivery. The mechanism for selling the Shares described above will not be available if the Shares are delisted. In addition, it will not be possible to deliver fractions of a Share; fractions will therefore be disregarded.

In all the above circumstances, the IDRs will be cancelled after Deposited Property has been transferred to IDR Holders or, as applicable, sold as described above.

SELECTED FINANCIAL INFORMATION

The selected historical financial information in relation to the Company in this section has been extracted without material adjustment except as noted in the foot notes below from the Consolidated Financial Statements in the Annual Reports and Accounts 2007, 2008 and 2009 in respect of the years ended 31 December 2007, 2008 and 2009 respectively.

The consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and cash flow statement for the Group for the years ended 31 December, 2009, 2008 and 2007 has been extracted from the Audited Historical Financial Statements and presented in US$ and INR. A capitalisation statement for the years ended 31 December 2009 and 31 December 2008 is presented in US$ and INR on pages 322 to 325. The rate used for the conversion of US$ into INR for these statements is US$1=INR 46.68.

The audited consolidated financial statements of the Company as of and for the years ended 31 December 2009, 2008 and 2007 included in this Red Herring Prospectus have been extracted from the Company's Annual Reports and Accounts 2009, 2008 and 2007, respectively. These Annual Reports and Accounts, as well as the Company's stock exchange announcements, can be found at http://investors.standardchartered.com.

The consolidated annual financial statements have been audited by KPMG Audit Plc, independent auditors.

Consolidated Income Statement

	FY2009 US$million	*FY2008[1] US$million*	*FY2007 US$million*
Interest income	12,926	16,378	16,176
Interest expense	(5,303)	(8,991)	(9,911)
Net interest income	7,623	7,387	6,265
Fees and commission income	3,824	3,420	3,189
Fees and commission expense	(454)	(479)	(528)
Net trading income	2,890	2,405	1,261
Other operating income	1301	1,235	880
Non-interest income	7,561	6,581	4,802
Operating income	15,184	13,968	11,067
Staff costs	(4,912)	(4,737)	(3,949)
Premises costs	(698)	(738)	(592)
General administrative expenses	(1,822)	(1,711)	(1,329)
Depreciation and amortisation	(520)	(425)	(345)
Operating expenses	(7,952)	(7,611)	(6,215)
Operating profit before impairment losses and taxation	7,232	6,357	4,852
Impairment losses on loans and advances and other credit risk provisions	(2,000)	(1,321)	(761)
Other impairment	(102)	(469)	(57)
Profit from associates	21	1	1
Profit before taxation	5,151	4,568	4,035
Taxation	(1,674)	(1,224)	(1,046)
Profit for the year	3,477	3,344	2,989
Profit attributable to:			
Minority interests	97	103	148
Parent company shareholders	3,380	3,241	2,841
Profit for the year	3,477	3,344	2,989
Earnings per share:			
Basic earnings per ordinary share (cents)	167.9	192.1	176.0
Diluted earnings per ordinary share (cents)	165.3	191.1	174.2

1 Amounts have been restated following the early adoption of an amendment to IAS 32 Financial Instruments: Presentation, which has reclassified the $233 million gain and associated tax of $66 million in respect of the rights issue option into equity.

Consolidated Income Statement

	FY2009 *Rs million*	*FY2008*[1] *Rs million*	*FY2007* *Rs million*
Interest income	603,386	764,525	755,096
Interest expense	(247,544)	(419,700)	(462,645)
Net interest income	355,842	344,825	292,450
Fees and commission income	178,504	159,646	148,863
Fees and commission expense	(21,193)	(22,360)	(24,647)
Net trading income	134,905	112,265	58,863
Other operating income	60,731	57,650	41,078
Non-interest income	352,947	307,201	224,157
Operating income	708,789	652,026	516,608
Staff costs	(229,292)	(221,123)	(184,339)
Premises costs	(32,583)	(34,450)	(27,635)
General administrative expenses	(85,051)	(79,869)	(62,038)
Depreciation and amortisation	(24,274)	(19,839)	(16,105)
Operating expenses	(371,199)	(355,281)	(290,116)
Operating profit before impairment losses and taxation	337,590	296,745	226,491
Impairment losses on loans and advances and other credit risk provisions	(93,360)	(61,664)	(35,523)
Other impairment	(4,761)	(21,893)	(2,661)
Profit from associates	980	47	47
Profit before taxation	240,449	213,234	188,354
Taxation	(78,142)	(57,136)	(48,827)
Profit for the year	162,306	156,098	139,527
Profit attributable to:			
Minority interests	4,528	4,808	6,909
Parent company shareholders	157,778	151,290	132,618
Profit for the year	162,306	156,098	139,527
Earnings per share:			
Basic earnings per ordinary share (Rupees)	78.38	89.67	82.16
Diluted earnings per ordinary share (Rupees)	77.16	89.21	81.32

1 Amounts have been restated following the early adoption of an amendment to IAS 32 Financial Instruments: Presentation, which has reclassified the Rs.10,876 million gain and associated tax of Rs.3,081 million in respect of the rights issue option into equity.

Consolidated statement of comprehensive income

	FY 2009 US$million	*FY 2008[1] US$million*	*FY 2007 US$million*
Profit for the year	3,477	3,344	2,989
Other comprehensive income:			
Exchange differences on translation of foreign operations			
Net gains/(losses) taken to equity	600	(2,794)	415
Income on repatriation of branch capital	—	—	(109)
Actuarial losses on retirement benefits	(150)	(229)	237
Share of other comprehensive income of associates	19	—	—
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity	455	(738)	675
Reclassified to income	(580)	(198)	(252)
Cash flow hedges:			
Net gains/(losses) taken to equity	14	(176)	57
Reclassified to income	106	(18)	(58)
Taxation relating to components of other comprehensive income	62	218	(99)
Other comprehensive income for the year, net of taxation	**526**	**(3,935)**	**866**
Total comprehensive income for the year	**4,003**	**(591)**	**3,855**
Attributable to:			
Minority interests	111	(3)	196
Parent company shareholders	3,892	(588)	3,659
	4,003	**(591)**	**3,855**

1 Amounts have been restated following the early adoption of an amendment to IAS 32 Financial Instruments: Presentation, which has reclassified the $233 million gain and associated tax of $66 million in respect of the rights issue option into equity.

Consolidated statement of comprehensive income

	FY 2009 Rs million	*FY 2008[1] Rs million*	*FY 2007 Rs million*
Profit for the year	162,306	156,098	139,527
Other comprehensive income:			
Exchange differences on translation of foreign operations			
Net gains/(losses) taken to equity	28,008	(130,424)	19,372
Income on repatriation of branch capital	—	—	(5,088)
Actuarial losses on retirement benefits	(7,002)	(10,690)	11,063
Share of other comprehensive income of associates	887	—	—
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity	21,239	(34,450)	31,509
Reclassified to income	(27,074)	(9,243)	(11,763)
Cash flow hedges:	—	—	—
Net gains/(losses) taken to equity	654	(8,216)	2,661
Reclassified to income	4,948	(840)	(2,707)
Taxation relating to components of other comprehensive income	2,894	10,176	(4,621)
Other comprehensive income for the year, net of taxation	**24,554**	**(183,686)**	**40,425**
Total comprehensive income for the year	**186,860**	**(27,588)**	**179,951**
Attributable to:			
Minority interests	5,181	(140)	9,149
Parent company shareholders	181,679	(27,448)	170,802
	186,860	**(27,588)**	**179,951**

1 Amounts have been restated following the early adoption of an amendment to IAS 32 Financial Instruments: Presentation, which has reclassified the Rs.10,876 million gain and associated tax of Rs.3,081 million in respect of the rights issue option into equity.

Consolidated Balance Sheet

	FY2009 *US$million*	*FY2008* *US$million*	*FY2007*[1] *US$million*
Assets			
Cash and balances at central banks	18,131	24,161	10,175
Financial assets held at fair value through profit or loss	22,446	15,425	22,958
Derivative financial instruments	38,193	69,657	26,204
Loans and advances to banks	50,885	46,583	35,365
Loans and advances to customers	198,292	174,178	154,266
Investment securities	75,728	69,342	55,274
Other assets	17,201	20,374	11,011
Current tax assets	203	764	633
Prepayments and accrued income	3,241	3,466	3,857
Interests in associates	514	511	269
Goodwill and intangible assets	6,620	6,361	6,374
Property, plant and equipment	4,103	3,586	2,892
Deferred tax assets	1,096	660	593
Total assets	436,653	435,068	329,871
Liabilities			
Deposits by banks	38,461	31,909	25,880
Customer accounts	251,244	234,008	179,760
Financial liabilities held at fair value through profit or loss	14,505	15,478	14,250
Derivative financial instruments	36,584	67,775	26,270
Debt securities in issue	29,272	23,447	27,137
Other liabilities	16,139	17,363	14,742
Current tax liabilities	802	512	818
Accruals and deferred income	4,113	4,132	3,429
Subordinated liabilities and other borrowed funds	16,730	16,986	15,740
Deferred tax liabilities	193	176	33
Provisions for liabilities and charges	184	140	38
Retirement benefit obligations	506	447	322
Total liabilities	408,733	412,373	308,419
Equity			
Share capital	1,013	948	705
Reserves	26,327	21,192	20,146
Total parent company shareholders' equity	27,340	22,140	20,851
Minority interests	580	555	601
Total equity	27,920	22,695	21,452
Total equity and liabilities	436,653	435,068	329,871

1 Amounts have been restated as explained in Note 53 of the Annual Report of financial year 2008.

Consolidated Balance Sheet

	FY2009 *Rs million*	*FY2008* *Rs million*	*FY2007*[1] *Rs million*
Assets			
Cash and balances at central banks	846,355	1,127,835	474,969
Financial assets held at fair value through profit or loss	1,047,779	720,039	1,071,679
Derivative financial instruments	1,782,849	3,251,589	1,223,203
Loans and advances to banks	2,375,312	2,174,494	1,650,838
Loans and advances to customers	9,256,271	8,130,629	7,201,137
Investment securities	3,534,983	3,236,885	2,580,190
Other assets	802,943	951,058	513,993
Current tax assets	9,476	35,664	29,548
Prepayments and accrued income	151,290	161,793	180,045
Interests in associates	23,994	23,853	12,557
Goodwill and intangible assets	309,022	296,931	297,538
Property, plant and equipment	191,528	167,394	134,999
Deferred tax assets	51,161	30,809	27,681
Total assets	20,382,962	20,308,974	15,398,378
Liabilities			
Deposits by banks	1,795,359	1,489,512	1,208,078
Customer accounts	11,728,070	10,923,493	8,391,197
Financial liabilities held at fair value through profit or loss	677,093	722,513	665,190
Derivative financial instruments	1,707,741	3,163,737	1,226,284
Debt securities in issue	1,366,417	1,094,506	1,266,755
Other liabilities	753,369	810,505	688,157
Current tax liabilities	37,437	23,900	38,184
Accruals and deferred income	191,995	192,882	160,066
Subordinated liabilities and other borrowed funds	780,956	792,906	734,743
Deferred tax liabilities	9,009	8,216	1,540
Provisions for liabilities and charges	8,589	6,535	1,774
Retirement benefit obligations	23,620	20,866	15,031
Total liabilities	19,079,656	19,249,572	14,396,999
Equity			
Share capital	47,287	44,253	32,909
Reserves	1,228,944	989,243	940,415
Total parent company shareholders' equity	1,276,231	1,033,495	973,325
Minority interests	27,074	25,907	28,055
Total equity	1,303,306	1,059,403	1,001,379
Total equity and liabilities	20,382,962	20,308,974	15,398,378

1 Amounts have been restated as explained in Note 53 of the Annual Report of financial year 2008.

Consolidated statement of changes in equity

	Share capital US$million	Share premium account US$million	Capital reserve and Capital redemption reserve[1] US$million	Merger reserve US$million	Available-for-sale reserve US$million	Cash flow hedge reserve US$million	Translation reserve US$million	Retained earnings US$million	Parent Company Share holders' Equity US$million	Minority interests US$million	Total US$million
At 1 January 2007	692	3,865	18	3,149	410	51	678	7,990	16,853	542	17,395
Profit for the Year	—	—	—	—	—	—	—	2,841	2,841	148	2,989
Other comprehensive income	—	—	—	—	340	6	303	169	818	48	866
Distributions	—	—	—	—	—	—	—	—	—	(120)	(120)
Shares issued, net of expenses	5	856	—	—	—	—	—	—	861	—	861
Net own shares adjustment	—	—	—	—	—	—	—	24	24	—	24
Share option expense and related taxation	—	—	—	—	—	—	—	55	55	—	55
Capitalised on scrip dividend	8	(8)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(601)	(601)	—	(601)
Arising on Acquisitions									—	3	3
Other increases/(Reductions)	—	—	—	—	—	—	—	—	—	(20)	(20)
At 31 December 2007	705	4,713	18	3,149	750	57	981	10,478	20,851	601	21,452
Profit for the Year	—	—	—	—	—	—	—	3,408	3,408	103	3,511
Other comprehensive income	—	—	—	—	(755)	(140)	(2,765)	(169)[3]	(3,829)	(106)	(3,935)
Distributions	—	—	—	—	—	—	—	—	—	(147)	(147)
Shares issued, net of expenses	237	36	—	2,468	—	—	—	—	2,741	—	2,741
Rights issue option, net of tax	—	—	—	(167)	—	—	—	—	(167)	—	(167)
Net own shares adjustment	—	—	—	—	—	—	—	(67)	(67)	—	(67)
Share option expense and related taxation	—	—	—	—	—	—	—	128	128	—	128
Capitalised on scrip dividend	6	(6)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(925)	(925)	—	(925)
Other increases/(Reductions)	—	—	—	—	—	—	—	—	—	104	104
At 31 December 2008	948	4,743	18	5,450	(5)	(83)	(1,784)	12,853	22,140	555	22,695
Restatement[2]	—	—	—	167	—	—	—	(167)	—	—	—
At 31 December 2008 as restated	948	4,743	18	5,617	(5)	(83)	(1,784)	12,686	22,140	555	22,695
Profit for the Year								3,380	3,380	97	3,477
Other comprehensive income	—	—	—	—	(88)	98	599	(97)[4]	512	14	526
Distributions	—	—	—	—	—	—	—	—	—	(87)	(87)
Shares issued, net of expenses	44	106	—	1,667	—	—	—	—	1,817	—	1,817
Net own shares adjustment	—	—	—	—	—	—	—	(81)	(81)	—	(81)
Share option expense and related taxation	—	—	—	—	—	—	—	311	311	—	311
Capitalised on scrip dividend	21	(21)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(739)	(739)	—	(739)
Other increases/(Reductions)	—	—	—	—	—	—	—	—	—	1	1
At 31 December 2009	1,013	4,828	18	7,284	(93)	15	(1,185)	15,460	27,340	580	27,920

1 Includes capital reserve of $5 million and capital redemption reserve of $13 million at 1 January 2008, 31 December 2008 and 2009.

2 Amounts have been restated following the early adoption of an amendment to IAS 32 Financial Instruments: Presentation, which has reclassified the $233 million gain and associated tax of $66 million in respect of the rights issue option into equity.

3 Comprises actuarial losses, net of taxation.

4 Comprises actuarial losses, net of taxation and minority interests of $116 million, share of Comprehensive Income from associates of $19 million.

Consolidated statement of changes in equity

	Share capital Rs million	Share premium account Rs million	Capital reserve and Capital redemption reserve[1] Rs million	Merger reserve Rs million	Available-for-sale reserve Rs million	Cash flow hedge reserve Rs million	Translation reserve Rs million	Retained earnings Rs million	Parent Company Share holders' Equity Rs million	Minority interests Rs million	Total Rs million
At 1 January 2007	32,303	180,418	840	146,995	19,139	2,381	31,649	372,973	786,698	25,301	811,999
Profit for the Year	—	—	—	—	—	—	—	132,618	132,618	6,909	139,527
Other comprehensive income	—	—	—	—	15,871	280	14,144	7,889	38,184	2,241	40,425
Distributions	—	—	—	—	—	—	—	—	—	(5,602)	(5,602)
Shares issued, net of expenses	233	39,958	—	—	—	—	—	—	40,191	—	40,191
Net own shares adjustment	—	—	—	—	—	—	—	1,120	1,120	—	1,120
Share option expense and related taxation	—	—	—	—	—	—	—	2,567	2,567	—	2,567
Capitalised on scrip dividend	373	(373)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(28,055)	(28,055)	—	(28,055)
Arising on Acquisitions	—	—	—	—	—	—	—	—	—	140	140
Other increases/(Reductions)	—	—	—	—	—	—	—	—	—	(934)	(934)
At 31 December 2007	32,909	220,003	840	146,995	35,010	2,661	45,793	489,113	973,325	28,055	1,001,379
Profit for the Year	—	—	—	—	—	—	—	159,085	159,085	4,808	163,893
Other comprehensive income	—	—	—	—	(35,243)	(6,535)	(129,070)	(7,889)[3]	(178,738)	(4,948)	(183,686)
Distributions	—	—	—	—	—	—	—	—	—	(6,862)	(6,862)
Shares issued, net of expenses	11,063	1,680	—	115,206	—	—	—	—	127,950	—	127,950
Rights issue option, net of tax	—	—	—	(7,796)	—	—	—	—	(7,796)	—	(7,796)
Net own shares adjustment	—	—	—	—	—	—	—	(3,128)	(3,128)	—	(3,128)
Share option expense and related taxation	—	—	—	—	—	—	—	5,975	5,975	—	5,975
Capitalised on scrip dividend	280	(280)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(43,179)	(43,179)	—	(43,179)
Other increases/(Reductions)	—	—	—	—	—	—	—	—	—	4,855	4,855
At 31 December 2008	44,253	221,403	840	254,406	(233)	(3,874)	(83,277)	599,978	1,033,495	25,907	1,059,403
Restatement[2]	—	—	—	7,796	—	—	—	(7,796)	—	—	—
At 31 December 2008 as restated	44,253	221,403	840	262,202	(233)	(3,874)	(83,277)	592,182	1,033,495	25,907	1,059,403
Profit for the Year	—	—	—	—	—	—	—	157,778	157,778	4,528	162,306
Other comprehensive income	—	—	—	—	(4,108)	4,575	27,961	(4,528)[4]	23,900	654	24,554
Distributions	—	—	—	—	—	—	—	—	—	(4,061)	(4,061)
Shares issued, net of expenses	2,054	4,948	—	77,816	—	—	—	—	84,818	—	84,818
Net own shares adjustment	—	—	—	—	—	—	—	(3,781)	(3,781)	—	(3,781)
Share option expense and related taxation	—	—	—	—	—	—	—	14,517	14,517	—	14,517
Capitalised on scrip dividend	980	(980)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(34,497)	(34,497)	—	(34,497)
Other increases/(Reductions)	—	—	—	—	—	—	—	—	—	47	47
At 31 December 2009	47,287	225,371	840	340,017	(4,341)	700	(55,316)	721,673	1,276,231	27,074	1,303,306

1 Includes capital reserve of Rs. 233 million and capital redemption reserve of Rs. 607 million at 1 January 2008, 31 December 2008 and 2009.

2 Amounts have been restated following the early adoption of an amendment to IAS 32 Financial Instruments: Presentation, which has reclassified the Rs. 10,876 million gain and associated tax of Rs. 3,081 million in respect of the rights issue option into equity.

3 Comprises actuarial losses, net of taxation.

4 Comprises actuarial losses, net of taxation and minority interests of Rs. 5,415 million, share of Comprehensive Income from associates of Rs. 887 million.

Cash Flow Statement

	FY 2009 US$million	*FY 2008[1] US$million*	*FY 2007[2] US$million*
Cash flows from operating activities			
Profit before taxation	5,151	4,568	4,035
Adjustments for:			
Non-cash items included within income statement	1,385	1,995	1,259
Change in operating assets	2,962	(88,103)	(38,199)
Change in operating liabilities	(11,219)	105,913	53,102
Contributions to defined benefit schemes	(124)	(95)	16
UK and overseas taxes paid, net of refunds	(1,210)	(1,400)	(1,097)
Net cash (used in)/from operating activities	(3,055)	22,878	19,116
Net cash flows from investing activities			
Purchase of property, plant and equipment	(261)	(579)	(471)
Disposal of property, plant and equipment	218	73	22
Acquisition of investment in subsidiaries, net of cash acquired	(68)	6,209	(85)
Disposal of investment in subsidiaries	—	159	—
Purchase of investment securities	(129,739)	(109,938)	(78,292)
Disposal and maturity of investment securities	126,678	97,756	74,457
Dividends received from investment in associates	11	—	—
Net cash used in investing activities	(3,161)	(6,320)	(4,369)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	1,817	2,753	861
Purchase of own shares	(103)	(76)	(15)
Exercise of share options through ESOP	22	9	39
Interest paid on subordinated liabilities	(361)	(718)	(737)
Gross proceeds from issue of subordinated liabilities	2,063	3,667	3,051
Repayment of subordinated liabilities	(2,440)	(1,436)	(505)
Dividends paid to minority interests and preference shareholders net of scrip	(188)	(257)	(148)
Dividends paid to ordinary shareholders net of scrip	(638)	(815)	(573)
Net cash from financing activities	172	3,127	1,973
Net (decrease)/increase in cash and cash equivalents	(6,044)	19,685	16,720
Cash and cash equivalents at beginning of the year	73,699	55,338	38,161
Effect of exchange rate movements on cash and cash equivalents	418	(1,324)	457
Cash and cash equivalents at end of the year	68,073	73,699	55,338

1 Amounts have been restated as explained in Note 50 of the Annual Report of financial year 2009.
2 Amounts have been restated as explained in Note 53 of the Annual Report of financial year 2008.

Cash Flow Statement

	FY 2009 Rs million	*FY 2008[1] Rs million*	*FY 2007[2] Rs million*
Cash flows from operating activities			
Profit before taxation	240,449	213,234	188,354
Adjustments for:			
Non-cash items included within income statement	64,652	93,127	58,770
Change in operating assets	138,266	(4,112,648)	(1,783,129)
Change in operating liabilities	(523,703)	4,944,019	2,478,801
Contributions to defined benefit schemes	(5,788)	(4,435)	747
UK and overseas taxes paid, net of refunds	(56,483)	(65,352)	(51,208)
Net cash (used in)/from operating activities	(142,607)	1,067,945	892,335
Net cash flows from investing activities			
Purchase of property, plant and equipment	(12,183)	(27,028)	(21,986)
Disposal of property, plant and equipment	10,176	3,408	1,027
Acquisition of investment in subsidiaries, net of cash acquired	(3,174)	289,836	(3,968)
Disposal of investment in subsidiaries	—	7,422	—
Purchase of investment securities	(6,056,217)	(5,131,906)	(3,654,671)
Disposal and maturity of investment securities	5,913,329	4,563,250	3,475,653
Dividends received from investment in associates	513	—	—
Net cash used in investing activities	(147,555)	(295,018)	(203,945)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	84,818	128,510	40,191
Purchase of own shares	(4,808)	(3,548)	(700)
Exercise of share options through ESOP	1,027	420	1,821
Interest paid on subordinated liabilities	(16,851)	(33,516)	(34,403)
Gross proceeds from issue of subordinated liabilities	96,301	171,176	142,421
Repayment of subordinated liabilities	(113,899)	(67,032)	(23,573)
Dividends paid to minority interests and preference shareholders net of scrip	(8,776)	(11,997)	(6,909)
Dividends paid to ordinary shareholders net of scrip	(29,782)	(38,044)	(26,748)
Net cash from financing activities	8,029	145,968	92,100
Net (decrease)/increase in cash and cash equivalents	(282,134)	918,896	780,490
Cash and cash equivalents at beginning of the year	3,440,269	2,583,178	1,781,355
Effect of exchange rate movements on cash and cash equivalents	19,512	(61,804)	21,333
Cash and cash equivalents at end of the year	3,177,648	3,440,269	2,583,178

1 Amounts have been restated as explained in Note 50 of the Annual Report of financial year 2009.
2 Amounts have been restated as explained in Note 53 of the Annual Report of financial year 2008.

RISK FACTORS

Prospective investors should carefully consider the risks set forth below and the other information contained in this Red Herring Prospectus prior to making any investment decision with respect to the IDRs and the Shares. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Company and the Group, which, in turn, could have a material adverse effect on the amount of any distribution which investors will receive in respect of the IDRs and the Shares. In addition, each of the risks highlighted below could adversely affect the trading price of the IDRs and the Shares or the rights of investors under the IDRs and the Shares and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Company and the Group face. The Company has described only those risks relating to its operations that it considers to be material. There may be additional risks that it currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.

Internal Risks and Risks relating to the Group's Business Operations

1. Changes in the credit quality and the recoverability of loans and amounts due from counterparties may have an adverse effect on the Group's financial condition and results of operations

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties, or adverse changes arising from a general deterioration in global economic conditions or systemic risks in the financial systems, could reduce the recoverability and value of the Group's assets and require an increase in the Group's level of provision for bad and doubtful debts. An adverse change in economic conditions could also adversely affect the level of banking activity and the Group's interests and other income. Although the Group devotes considerable resources to managing the above risks, failure to manage these risks can impact the Group adversely.

Information on non-performing assets in 2009 is given in the section titled "*Management Discussion and Analysis of the Financial Condition and Results of Operations*" which begins on page 122 of this Red Herring Prospectus.

2. The Group's business could be affected if its capital is not managed effectively

Effective management of the Group's capital position is important to its ability to operate its business, to continue to grow organically and to pursue its strategy. Any future change that limits the Group's ability to manage its balance sheet and capital resources effectively or to access funding on commercially acceptable terms, could have a material adverse effect on the Group's financial condition and regulatory capital position.

3. Lack of liquidity is a risk to the Group's business

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due, or can access them only at excessive cost. This risk is inherent in banking operations and can be heightened by a number of factors, including changes in credit ratings or market-wide phenomena such as financial market instability and natural disasters. Credit markets worldwide have experienced and continue to experience a reduction in liquidity and term-funding in the aftermath of events in the US sub-prime residential mortgage market and the current severe financial market conditions. It is the policy of the Group to manage its liquidity prudently in all geographic locations and for all currencies. Exceptional market events of the type described above can impact the Group adversely.

4. Failure to manage legal and regulatory risk properly can impact the Group adversely

The Group is subject to a wide variety of banking, insurance and financial services laws and regulations and is supervised by a large number of regulatory and enforcement authorities in each of, or which govern its business and activities in and in relation to, the jurisdictions in which it operates. As a result, the Group is exposed to many forms of legal and regulatory risk, which may arise in a number of ways, primarily:

- loss may be caused by changes in applicable laws;

- the Group is subject to a variety of complex legal and regulatory regimes in many of the countries where it operates, in respect of which requirements, standards or sanctions may differ significantly from country to country;
- the Group is subject to extensive laws and regulations which are designed to combat money laundering and terrorist financing and to enforce compliance with sanctions against designated countries and persons, including countries in which, and persons with which, the Group may conduct and may have conducted business from time to time;
- risk from defective transactions or contracts, either where contractual obligations are not enforceable or do not allocate rights and obligations as intended, or where contractual obligations are enforceable against the Group in an adverse way or by defective security arrangements;
- the title to and ability to control the assets of the Group (including the intellectual property of the Group, such as its trade names) may not be adequately protected; and
- the Group may be liable for damages to third parties where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss.

Although the Group has processes and controls to manage legal and regulatory risks, failure to manage such risks properly can impact the Group adversely or result in administrative actions, penalties or other proceedings involving the Group which may have a material adverse effect on the Group's business and reputation and ultimately the value of the IDRs and the Shares. In addition, a failure to comply with the applicable laws or regulations in various jurisdictions by the Group's employees, representatives, agents and third party service providers, or those of its subsidiaries either in or outside the course of their services, or suspected or perceived failures by them, may result in enquiries or investigations by regulatory and enforcement authorities, or in regulatory or enforcement action against the Group, its subsidiaries or such employees, representatives, agents and third party service providers. Such actions may adversely impact the reputation of the Company or the Group, result in adverse media reports, lead to increased or enhanced regulatory or supervisory concerns, additional costs, penalties, claims and expenses being incurred by the Group or impact adversely the Group's ability to conduct business.

The Company cannot predict the timing or form of any current or future regulatory or law enforcement initiatives which the Company notes are increasingly common for international banks and financial institutions. The Company would expect to cooperate with any relevant authorities in connection with any such regulatory investigation or proceeding.

5. ***Operational risks are inherent in the Group's business***

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") supervises and directs the management of operational risks across the Group. GORC is also responsible for ensuring adequate and appropriate policies and procedures are in place for the identification, assessment, monitoring, control and reporting of operational risks.

The Group's operational risk team is responsible for setting the operational risk policy, defining standards for measurement and for operational risk capital calculation. An operational risk assurance function, independent from the Group's operating businesses, is responsible for deploying and assuring the operational risk management framework, and for monitoring the Group's key operational risk exposures. This unit is supported by units within the Wholesale Banking and Consumer Banking businesses who have responsibility for ensuring compliance with policies and procedures in the business, monitoring key operational risk exposures and the provision of guidance to the respective business areas on operational risk.

6. ***The Company operates primarily through its subsidiaries and there are risks related to this structure***

As a holding company, the Company's business is operated through its subsidiaries. As a result, the Company's right to participate in any distribution of the assets of a subsidiary, upon its dissolution, winding-up, liquidation or reorganisation or otherwise, and the ability of investors to benefit indirectly from that distribution, is subject to the prior claims of creditors of that subsidiary, except to the extent that the Company may be a creditor of that subsidiary and its claims are recognised. There are legal limitations on the extent to which some of the Company's subsidiaries may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, the Company or some of its other subsidiaries. Accordingly, the Shares will be effectively subordinated to all existing and future liabilities of the Company's subsidiaries (as well as of the Company) and holders of the Shares should look only to the Company's assets for payment.

7. ***The business of the Group may be affected if it is unable to recruit, retain and develop appropriate senior management and skilled personnel***

The Group's continued success depends in part on the continued service of key members of its management team. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of the Group's strategy. The successful implementation of the Group's growth strategy depends on the availability of skilled management at its head office and at each of its business units and international locations. If the Group or one of its business units or other functions fails to staff their operations appropriately, or loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, its business, financial condition and results of operations, including control and operational risks, may be adversely affected. Likewise, if the Group fails to attract and appropriately train, motivate and retain qualified professionals, its business may also be affected.

8. ***The Group is expanding its operations and this growth may represent a risk if not managed effectively***

The Group is experiencing significant growth as it expands geographically and in the scope of products and services it offers, including through acquisitions. The Group's business strategy is based on organic growth but includes selective plans to continue to acquire assets or businesses that it believes are logical extensions of its existing businesses to increase cash flow and earnings. The Group continues to look at potential acquisitions in a number of markets. The Group may experience some, or all, of the difficulties described below. The failure effectively to manage its expansion, whether organic or inorganic, could have a material adverse effect on the Group's financial condition and results of operations.

The success of the Group's acquisitions will depend, in part, on the ability of its management to integrate the operations of newly-acquired businesses with its existing operations and to integrate various departments, systems and procedures.

The Group's ability to implement its business strategy may be constrained and the timing of such implementation may be impacted due to demands placed on existing resources by that process. There can be no assurance that:

- the Group will be successful in acquiring all the entities it seeks to acquire;
- the acquired entities will achieve the level of performance that the Group anticipates or that the carrying value of goodwill on acquisition will be fully supported by the cash flows of the cash generating unit to which it has been allocated for the purposes of impairment testing;
- the projected demand and prices of the Group's products and services will be realised;
- the acquired entities will not cause a disruption to the Group's ongoing businesses, distract management attention and other resources or make it difficult to maintain the Group's standards, internal controls and procedures;
- the Group will not be required to incur debt or issue equity securities to pay for acquisitions, for which financing may not be available or may not be available on acceptable terms;
- the Group's current ratings will not be affected by such acquired entities;
- the Group will be able to successfully integrate the services, products and personnel of an acquired entity into its operations, especially if the Group acquires large businesses; or
- the Group will not assume unforeseen liabilities and exposures as a result of the acquisitions.

9. ***There can be no assurances that the Company will pay dividends on the Shares underlying the IDRs***

The payment of dividends by the Company is an entirely discretionary matter. In addition, under UK company law, there are restrictions on a company's ability to pay dividends. See the section titled "*Dividends*" on page 345 of this Red Herring Prospectus.

In addition, as a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from its subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities is subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities. These laws and restrictions could limit the payment of dividends and distributions to the Company by its subsidiaries, which could in future restrict the Company's ability to fund other operations or to pay a dividend to holders of the Shares.

External Risk Factors

1. ***Macroeconomic risks could result in an adverse impact on the Group's financial condition and results of operations***

The Group operates in over 70 countries and territories and is affected by the prevailing economic conditions in each market. Macroeconomic factors that have an impact on personal expenditure and consumption, demand for business products and services, the debt service burden of consumers or businesses, and the general availability of credit, will influence the Group's customers and, by extension, the Group's financial condition and results of operations.

One of the principal uncertainties is the extent to which the economic slowdown currently being experienced in certain western markets may feed through to the Group's major markets, and the timing of that impact. The linkages between economic activities in different markets are complex and depend not only on direct drivers such as the balance of trade and investment between countries, but also on domestic monetary, fiscal and other policy responses to address macroeconomic conditions.

Consequently, one uncertainty for the corporate sectors in Wholesale Banking and the SME segment in Consumer Banking will be the extent to which exports are impacted by a slowdown in other economies, particularly in the US and Europe. Similarly, there will be uncertainty about domestic demand in SCB's markets, which is a function of a number of factors including consumer and business confidence.

Another principal uncertainty for the Group relates to the management of inflationary pressures, to the extent to which they arise. These inflationary pressures may be exacerbated in some countries by the reduction or removal of fuel price subsidies and the impact of significant rises in the price of certain foodstuffs. An increase in inflation can have a number of adverse impacts on the Group's business, including, but not limited to, increasing its operating expenses, which would reduce profits attributable to Group IDR Holders. High inflation can also have an adverse effect on the credit quality of the Group's individual and corporate borrowers, as well as its counterparties, which could lead to an increase in delinquencies and defaults across a range of sectors, which could also impact profitability and otherwise have a negative effect on the Group's financial condition and results of operations.

The Group's geographic and business diversification will help to mitigate any impact on revenues, or of increased loan impairment, that may stem from a slowdown in any one market. No single country accounts for more than 20% of total loans and advances to customers. There are also no unduly significant concentrations across industries among the corporate customer base. However, diversification of the Group may not be effective to safeguard the Group from the effect of certain macroeconomic factors which may impact the overall economy in a single country or globally.

2. ***The Group operates primarily in Asia, Africa and the Middle East, and these operations expose it to risks arising from the political and economic environment of markets in these areas that could adversely affect its financial condition and results of operations***

The primary markets in which the Group operates are Asia, Africa and the Middle East. Some of these markets are typically more volatile and less developed economically and politically than markets in Western Europe and North America. The Group faces significant economic and political risks, including economic volatility, recession, inflationary pressure, exchange rate fluctuation risk and interruption of business, as well as civil unrest, imposition of exchange controls, sanctions relating to specific countries, expropriation, nationalisation, renegotiation or nullification of existing contracts and changes in law or tax policy. These risks could result in an adverse impact on the Group's financial condition and results of operations.

3. ***The Group operates in competitive markets, which may have an adverse effect on its financial condition and results of operations***

The Group is subject to significant competition from local banks and many other international banks operating in the emerging markets described above, including competitors that may have greater financial and other resources. Local regulations in a number of jurisdictions that favour local banks by restricting the ability of international banks operating in the relevant country to enter the market and/or expand their existing operations could adversely affect the Group's ability to compete in these markets. Many of the international and local banks operating in the Group's markets compete for substantially the same customers as the Group. Competition may increase in some or all of the Group's principal markets and may have an adverse effect on its financial condition and results of operations.

4. ***The Group operates in a highly regulated industry and changes to bank regulations and laws and regulations could have an impact on its operations or impair its financial condition***

The Group is subject to financial services laws, regulations, administrative actions and policies in each location in which it operates. During the recent market turmoil, there has been an unprecedented level of government and regulatory intervention and scrutiny, and changes to the regulations applying to financial institutions. Regulatory and governmental authorities are likely to continue to adopt new, or enhance the existing, legal and regulatory requirements intended to prevent future crises or otherwise ensure the stability of institutions under their supervision. For instance, the UK Government published a White Paper in July 2009 which contained a number of proposals for reforming the UK financial system, including more stringent capital and liquidity requirements for systemically significant firms, requirements for banks to develop detailed plans for winding down their businesses and enhanced regulatory powers for the FSA. A number of the proposals set out in the White Paper now form part of the Financial Services Act 2010 which received royal assent on 8 April 2010. Among other things, the Financial Services Act 2010 places a duty on the FSA to make rules requiring financial institutions to create and maintain recovery and resolution plans in preparation for potential adverse scenarios that could compromise their business models (living wills). Under a recovery plan a bank is required to consider in advance what it would do if it were to fall under stress. Under a resolution plan, a bank is required to plan the action to be taken in the event of circumstances arising in which it is likely that the business of the bank (or any part of the business) will fail, and may include providing the authorities in a timely manner with information the authorities would require in order to make a choice among the resolution methods available to resolve the bank.

The Basel Committee on Banking Supervision published new requirements in July 2009 that will increase (in some cases significantly) the amount of capital that banks are required to hold in respect of their trading activities which will be implemented into EU legislation through CRD III. Further proposals followed in December 2009. The FSA also published proposed enhancements to its capital standards in December 2009.

In addition, the rules on consumer protection in a number of the Company's markets are attracting increased regulatory attention. Recent proposals and measures taken by governmental, tax and regulatory authorities and future changes in supervision and regulation, in particular in the United Kingdom, are beyond the Group's control and could materially affect the Group's business, the products and services offered or the value of assets and significantly increase operational costs.

Whilst there is growing international regulatory cooperation on such initiatives, the Group is, and will continue to be, subject to the increased complexity of complying with different requirements in multiple jurisdictions. Changes in UK legislation and regulation to address the stability of the financial sector may also affect the competitive position of UK banks, including Standard Chartered, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry.

Although the Group works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be difficult to predict and are beyond the control of the Group. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the Group's business.

5. ***The business and operations of the Company may be affected by the provisions of the Banking Act 2009 which gives the UK Treasury, the FSA and the Bank of England wide-ranging powers to make certain orders in respect of deposit-taking institutions***

The Banking Act 2009 came into force on 21 February 2009 and applies to deposit-taking institutions that are incorporated in or formed under the law of any part of the UK (such as SCB). It provides the Treasury, the Bank of England and the FSA with powers to deal with banks which are failing or likely to fail to satisfy the threshold conditions within the meaning of section 41(1) and Schedule 6 of the FSMA where it is not reasonably likely that action will be taken by or in respect of the bank to satisfy those threshold conditions. The Banking Act 2009 creates a special resolution regime which comprises three stabilisation options and two new insolvency procedures. The stabilisation options involve (i) the transfer of a bank, or bank holding company, into temporary public ownership; (ii) the transfer of all or part of a bank to a private sector purchaser and (iii) the transfer of all or part of a bank to a bridge bank wholly owned by the Bank of England. The new insolvency procedures are (i) bank insolvency, designed to secure that eligible depositors' accounts are transferred to another bank, or that eligible depositors are compensated under the Financial Services Compensation Scheme, followed by winding up the affairs of the bank so as to achieve the best result for the bank's creditors and (ii) a bank administration procedure designed to ensure that where the transfer of part of a bank to a private sector purchaser or bridge bank is effected in accordance with the special resolution regime, the non-sold or non-transferred bank continues to provide services and facilities to the business which has been transferred to enable the commercial purchaser or transferee to operate effectively.

Whilst the Treasury, the Bank of England and the FSA must have regard to specified objectives when exercising the special resolution regime powers (the protection and enhancement of the stability of the UK financial system, protecting and enhancing public confidence in the stability of the UK banking system, protecting depositors, protecting public funds and avoiding interference with property rights in contravention of the European Convention on Human Rights), the effect of the Banking Act 2009 (if any) on the IDR Holders cannot be ascertained in advance.

6. ***Downgrades to the Group's credit ratings or outlook could impair the Group's access to funding and the Group's competitive position***

The Group's ability to access the capital and, to a lesser extent, the wholesale markets, and the cost of borrowing in these markets is influenced by the Group's credit ratings. There can be no guarantee that the Group will not be subject to downgrades to its credit ratings. Any changes in the credit ratings of the Group could impact the volume and pricing of its funding, and this could impact profit.

7. ***Changes in interest rates, foreign exchange rates, equity prices and other market risks could adversely affect the groups financial condition and results of operations***

Market risk is the exposure created by potential changes in market prices and rates. The Group is exposed to market risk arising principally from customer-driven transactions. Some of the significant market risks the Group faces are interest rate, foreign exchange and bond price risks. Changes in interest levels, yield curves and spreads may affect, among other things, interest rate margins and trading profits. Changes in currency rates may affect, among other things, the value of assets and liabilities denominated in foreign currencies and also the earnings reported by the

Company's non-US$ denominated branches and subsidiaries. Although the Group devotes considerable resources to managing the above risks, failure to manage these risks effectively could impact the Group adversely.

8. ***Financial markets volatility globally and in the markets in which the Group operates could result in an adverse impact on the Group's assets, financial condition and results of operations***

Additional volatility and further dislocation affecting certain financial markets and asset classes, are factors that may also impact the Group's financial condition and results of operations. These factors may have an impact on the mark-to-market valuations of assets in the Group's available-for-sale and trading portfolios. In addition, any further deterioration in the performance of the assets underlying the ABS portfolio could lead to additional impairment. The ABS portfolio accounts for less than 0.7% of Group assets (as at 31 December 2009).

9. ***Systemic risk resulting from failures in the banking industry could adversely affect the Group***

Within the banking industry the default of any institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Group interacts on a daily basis, which could have an adverse effect on the Group's ability to raise new funding and on the Group's business, financial condition and results of operations.

10. ***Country risk could result in an adverse impact on the Group's financial condition and results of operations***

Country risk is the risk that a counterparty is unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by the government of the relevant country. This includes the risk that:

- a sovereign borrower may be unable or unwilling to fulfil its foreign currency or cross-border contractual obligations; and/or
- a non-sovereign counterparty may be unable to fulfil its contractual obligations as a result of currency shortage due to adverse economic conditions or actions taken by the government of the relevant country.

See page 168 of this Red Herring Prospectus for further details of the Company's cross border outstandings. See page 149 of this Red Herring Prospectus for further details of the Company's loan portfolio.

These risks could have an adverse impact on the Group's financial condition and results of operations.

For further information on country risk in the Middle East and other South Asia please see page 95 of this Red Herring Prospectus.

11. ***The Group operates in some markets that have relatively less developed judicial and dispute resolution systems, which could have an adverse effect on the Group's operations***

In the less developed markets in which the Group operates, judicial and dispute resolution systems may be less developed. In case of a breach of contract, there may be difficulties in making and enforcing claims against contractual counterparties. On the other hand, if claims are made against the Group, there may be difficulties in defending such allegations. If the Group becomes party to legal proceedings in a market with an insufficiently developed judicial system, it could have an adverse effect on the Group's financial condition and results of operations.

12. ***Regional hostilities, terrorist attacks or social unrest as well as natural calamities in the markets in which the Group operates could adversely affect the Group's business and results of operations***

Some of the countries in which the Group operates have, from time to time, experienced social and civil unrest, hostilities both internally and with neighbouring countries and terrorist attacks. Some of those countries have also experienced natural calamities like earthquakes, floods and drought in the past few years. These and similar hostilities, tensions and natural disasters could lead to political or economic instability in the markets in which the Group operates and adversely affect its business and results of operations.

Risks relating to the Investment in IDRs

Risks relating to the IDR regime and an investment in the IDRs

1. The legal regime in respect of the issuance of IDRs has only been recently introduced and its efficacy and efficiency is yet to be established

The SEBI regime for the issuance of IDRs was introduced in 2006. Chapter VIA of the SEBI Guidelines and the IDR Rules were amended subsequently. The SEBI Guidelines have now been substituted by the SEBI Regulations, and Chapter X read with Schedule XIX of the SEBI Regulations sets out the disclosure requirements for the Issue. As of the date of this Red Herring Prospectus, the Issue is expected to be the first in India under the IDR regime. There are uncertainties as to:

- how Indian regulators will interpret and apply the legal regime to both the Company and the IDRs;
- how well internal procedures and systems of various intermediaries such as, the Depository, the Custodian, the Registrar to the Issue and the Stock Exchanges, will be able to meet requirements of the legal regime in respect of IDRs for the first time and on an ongoing basis;
- the effectiveness of the legal regime in respect of IDRs with respect to issuance, trading, exchange and cancellation of the instrument and ongoing rights and obligations underlying the instrument.

Furthermore, the efficacy and efficiency of IDRs as an instrument is as yet untested. Prospective investors are therefore advised to make their own judgement about an investment in the IDRs.

Risks relating to the exercise of rights and receipt of entitlements under the Conditions by IDR Holders

2. Certain corporate actions of the Company may entitle existing Shareholders of the Company to receive further Shares from the Company. However, the ability of IDR Holders to receive such further Shares from the Company (either in the form of Shares or IDRs representing the Shares) may be restricted

IDR Holders are subject to certain risks that may not be applicable to shareholders of the Company if there is a distribution of Shares by the Company or certain other corporate actions following certain corporate events. In particular, IDR Holders are unlikely to be able to receive additional Shares from the Company in a rights offering or a bonus issue of Shares or following an election made, at their option, to receive scrip dividend from the Company (if offered by the Company). This is due to factors related to the application of provisions of English law and the potential application of certain provisions of Indian law.

Pursuant to the UK Companies Act, the Company must offer holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of new equity shares, unless the pre-emptive rights have been waived by adopting a special resolution passed by 75% of the shareholders present and voting at a general meeting. The shareholders of the Company generally pass such a resolution at each annual general meeting in relation to a maximum of 5% of the ordinary share capital in any one year. IDR Holders may therefore be unable to exercise pre-emptive rights in respect of Shares underlying their IDRs to the extent that any such offer of Shares falls within the waiver given by the shareholders of the Company.

Under the Indian Companies Act, a company incorporated outside India cannot issue, circulate or distribute any offer of securities to more than 49 persons (other than professional investors) resident in India without registering a prospectus with the RoC. Such a prospectus is required to contain the information specified in the Indian Companies Act and the SEBI Regulations. See the section titled "*Foreign Investment, Exchange Controls and other Indian Laws – Ability to withdraw Shares from the IDR Facility and to deposit further shares into the IDR Facility*" on page 428 of this Red Herring Prospectus. Due to differences in the timelines and process for undertaking a rights offering in the UK as compared to the practice followed in India, the Company may, in these circumstances, decide not to seek such a registration. If the Company decides not to obtain such registration, IDR Holders may be either prevented or restricted from participating in a rights issue or other securities offerings of the Company.

Similarly, if the Company offers scrip dividends or a bonus issue of Shares to IDR Holders, the same could be considered as a further issue of IDRs by the Company. Such further issue of IDRs would require permission from the Stock Exchanges and may require registration of a new prospectus in India.

If a Depository is unable to distribute Shares under the relevant provisions of the Conditions, subject to the other provision of the Conditions, the Depository may sell the rights or the Shares in question and distribute the proceeds to IDR Holders as a cash distribution. However, IDR Holders who are unable to receive further Shares in the form of IDRs face several risks. Firstly, there is no assurance as to the value, if any, that the Depository would receive upon the sale of such securities or the rights in respect of such securities. Secondly, to the extent that IDR Holders are unable to exercise pre-emptive rights or other rights to acquire Shares, their proportionate interests in the Company will be diluted. Thirdly, these restrictions in respect of distribution could affect the liquidity and value of an IDR Holder's investment.

3. ***If an IDR Holder holds IDRs that together represent less than four Shares, that IDR Holder will not have a vote where voting is by way of poll***

Subject to any special terms as to voting on which any shares may have been issued, every holder of Shares who is present in person or by duly appointed proxy shall, on a show of hands, have one vote and, on a poll, have one vote for every US$2 nominal value of share capital of which he is the holder. Given that the nominal value of each Share is US$0.50, on a vote taken on a poll, a person needs to hold four Shares in order to register one vote. Therefore, if an IDR Holder holds IDRs representing less than four Shares, that IDR Holder will not be able to register the vote where voting is by way of a poll. At the Company's annual general meeting the votes are taken by a poll.

4. ***As 10 IDRs represent one Share, certain entitlements will be affected unless 10 IDRs (or integral multiples thereof) are held by the IDR Holder***

In addition to the voting restriction described above, certain rights will be affected if an IDR Holder does not hold 10 IDRs or an integral multiple thereof. In particular:

- withdrawals are not permitted of fractions of a Share;
- entitlements to participate in corporate actions, such as rights issues and share distributions are determined by holdings of whole numbers of Shares (although IDR Holders will receive their proportionate entitlement to any cash amount which may be received by the Depository); and
- if the IDR Facility is terminated by reason of the Shares not being listed on any securities exchange in any jurisdiction, rights in respect of fractions of a Share will be disregarded and such fractions will be aggregated and the resultant Shares surrendered by the Custodian to the Company for no consideration.

5. ***IDR Holders will be liable for certain fees, charges and expenses***

IDR Holders will be charged a certain fixed fee by the Depository for the issue (other than on initial issue) or cancellation of IDRs. IDR Holders will also have to pay a fixed service fee per Share underlying the IDR in respect of the servicing of the Deposited Shares or other Deposited Property by the Depository and its agents upon the payment of any dividend. Upon the occurrence of certain other specified corporate actions, IDR Holders will have to pay a sum per IDR which is determined by the Depository to be a reasonable charge to reflect the costs and expenses incurred by or on behalf of the Company or the Depositary or the Depository's agents in connection with such corporate action. IDR Holders must also pay all expenses (including currency conversion expenses), transfer and registration fees and taxes, duties and charges in connection with the services in respect of the IDRs performed by the Depository or its agents. For further details, please see the section titled "Frequently Asked Questions on the IDR Facility" on page 44 of this Red Herring Prospectus.

Risks relating to enforcement actions by an IDR Holder

6. ***The ability of IDR Holders to obtain the Deposited Shares may be impaired in an insolvency of the Depository***

Upon an insolvency of the Depository, IDR Holders may have to file a claim in the winding-up proceedings of the Depository in India and request the English liquidator to recognise such proceedings in the winding-up proceedings in England. The insolvency procedures applied by an English court in respect of any pre-existing/parallel liquidation proceedings before Indian courts will be dealt with by ordinary principles of private international law. In general, English courts may recognise principles of comity, and will generally assist an overseas office holder if this does not conflict with the rights of English creditors. However recognition of the effects of an Indian judicial procedure by English courts is discretionary, subject to the provisions of the UK Foreign Judgments Act.

7. ***It may be difficult for IDR Holders to enforce any judgment or arbitral award obtained in India against the Company in the UK***

Under the Deed Poll, IDR Holders have the right to submit any disputes to arbitration in India in accordance with the Arbitration and Conciliation Act.

However, as the Company is incorporated in England and Wales and all of its Directors reside outside India, it is likely that IDR Holders pursuing the enforcement of an arbitral award would have to file for enforcement of the arbitral award in England. An IDR Holder would therefore have to undertake the additional step and suffer the additional costs of making an application to an English court for such enforcement (provided it satisfied certain conditions under the UK Foreign Judgements Act).

8. ***The Deposit Agreement and the Deed Poll are governed by English law and, in case of a dispute, an IDR Holder may be required to obtain and present expert evidence on English law to an Indian court or arbitration panel***

Both the Deposit Agreement (which sets out the terms and conditions relating to the IDRs), and the Deed Poll (pursuant to which IDR Holders have direct enforcement rights against the Company) are governed by English law. To the extent IDR Holders are enforcing their rights under either of these documents before an arbitration panel or court, because English law is the governing law, the arbitration panel or court may require expert evidence on English law matters to be presented to it prior to making any decision. It may therefore be necessary to obtain and pay for expert evidence on English law if IDR Holders wish to enforce their rights under either of these documents and this could represent additional cost for the IDR Holder.

Other risks relating to an investment in the IDRs

9. ***IDR Holders will bear the risk of factors affecting the price of the Shares***

Risks relating to the stock exchange where the Shares are listed

The market price of the IDRs is expected to be affected by factors underlying the market price of the Shares. The price of the Shares may experience significant fluctuation on the London Stock Exchange and/or the Hong Kong Stock Exchange. Any fluctuations that occur on the London Stock Exchange and/or the Hong Kong Stock Exchange which affect the price of the Shares may, in turn, affect the price and trading of the IDRs listed on the Stock Exchanges. It is not possible to predict whether the price of the Shares, and consequently of the IDRs, will rise or fall. Sale of a substantial number of Shares in the open market could adversely affect the prevailing market price of the Shares. Any decline in the price of the Shares may have an adverse effect on the market price of the IDRs.

Risks relating to the Company

The trading price of the Shares and the IDRs could also be subject to significant volatility in response to the following factors, among others:

- performance of the Company's competitors, the Indian financial markets, the Indian financial services industry and perception in the market about investment in these sectors;
- changes in government policies including jurisdictions in which the Company operates;
- announcements by the Company or its competitors of significant contracts, acquisitions, joint ventures or capital commitments;

- announcements by the Company or its competitors of new product offerings, technological innovations or changes in pricing policies;
- changes in public expectations regarding the Company's operational results, financial condition or future financial performance;
- announcement of actual variations in the Company's operating or financial results;
- announcement by third parties of significant claims or proceedings against the Company; or
- general political, economic, financial and other factors.

10. Sales, or the real or perceived possibility of sales, of a significant number of the IDRs or the Shares in the public market could adversely affect prevailing market prices for the IDRs or the Shares

The Company cannot predict the effect, if any, that market sales of IDRs or Shares, or the availability of IDRs or Shares for future sale, will have on the market price of the IDRs or Shares, but the availability of Shares that are eligible for public sale could adversely affect the price of the IDRs or Shares. Subsequent equity offerings may dilute the percentage holding of an IDR Holder. In addition, the Company currently has shares in issue that have rights, preferences or privileges senior to those of the Shares and may also issue such Shares in the future. The availability of such shares could also adversely affect the price of the IDRs or the Shares.

11. IDR Holders may be subject to risks relating to fluctuations in foreign exchange rates

The price of the IDRs will be quoted in Rs. on the Stock Exchanges. The Deposited Shares are quoted in GBP on the London Stock Exchange. Fluctuations in the exchange rate between the Rs. and the GBP will affect the Rs. equivalent of the GBP price of the Shares on the London Stock Exchange and, as a result, are likely to affect the price of the IDRs. Such fluctuations will also affect the Rs. value of the proceeds an IDR Holder would receive upon the sale in the UK of any Deposited Shares withdrawn from the IDR Facility pursuant to permission granted by the RBI. There can be no assurance of the rate at which IDR Holders will be able to convert GBP proceeds into Rs. or any other currency. Furthermore, because the nominal value of the Shares is represented in US$ and all payments in respect of those securities are to be made in US$, an investment in the Shares and consequently in the IDRs entails risks for a purchaser resident other than in the US or a purchaser that conducts its business or activities in a currency other than US$. Under the Conditions, any cash dividend or other cash distribution on, or in respect of, the Deposited Shares (including any amounts received in the liquidation of the Company) received by the Depository from the Company will (to the extent reasonably practicable for the Depository and subject to applicable law and regulation) be converted into Rs. before distribution to the IDR Holders. Depreciation of the US$ against the Rs. will result in a decrease in value, expressed in Rs., of such distributions in the hands of the IDR Holders.

The Group has no control over a number of factors affecting these types of risks, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results. In recent years, rates of exchange for certain currencies, including the US$, GBP and HKD, have been volatile, and this volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative of fluctuations in the rates that may occur in the future.

This description of foreign currency risks does not describe all the risks of an investment in securities denominated in a currency other than the home currency.

12. Any adverse change of law may affect the trading price of the IDRs

The terms of, and rights attaching to, the IDRs and the Shares are subject to various provisions of both Indian law and English law. No assurance can be given as to the impact on the trading price of the IDRs of any possible judicial decision or change to Indian law or administrative practice or any possible judicial decision or change to English law or administrative practice after the date of issue of the IDRs.

13. ***There is no prior market for the IDRs and no assurance can be given that one will develop to provide liquidity for the IDRs***

The IDRs do not have any trading market. The Company will apply to list the IDRs on the Stock Exchanges. There is no assurance of such permission for listing being obtained. No assurance can be given that an active trading market for the IDRs will develop, or as to the liquidity or sustainability of any such market, the ability of IDR Holders to sell their IDRs or the price at which IDR Holders will be able to sell their IDRs. If an active market for the IDRs fails to develop or is not sustained, the trading price of the IDRs could fall. If an active trading market were to develop, the IDRs could trade at prices that may be either higher or lower than the initial offering price of the IDRs. There will be no market-makers for the IDRs.

14. ***If an IDR Holder wishes for any reason to withdraw Shares from the IDR facility, it may be limited in its ability to do so because of certain provisions of Indian law***

The IDRs are not fungible with Shares and there are restrictions on the withdrawal of Shares from the IDR facility, including an absolute prohibition on the withdrawal of Shares for a period of one year following the date of the issue of the IDRs. In addition, each IDR Holder will have to individually seek the approval of the RBI for any withdrawals following the end of this one-year period and the process for seeking such approval remains unclear at present. Further, residents in India are only permitted to hold the Shares for the purpose of sale and are required to sell the same within 30 days following withdrawal. This will adversely affect the liquidity of the IDRs. There are a number of reasons why an IDR Holder may wish to withdraw from its investment in the IDRs. If it wishes to do so, it has the option to sell those IDRs. However, if that IDR Holder wishes to withdraw Shares from the IDR facility, it may be restricted from doing so.

15. ***The IDRs may not be a suitable investment for all investors***

Each potential investor must determine the suitability of any investment in the IDRs in light of his/her/its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the IDRs, the merits and risks of investing in the IDRs and the information contained in this Red Herring Prospectus;
- consult their legal advisers to determine whether and to what extent: (i) the IDRs are legal investments for them; (ii) the IDRs can be used as collateral for various types of borrowing; and (iii) other restrictions that apply to their purchase or pledge of the IDRs;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of their particular financial situation, an investment in the IDRs and the impact such investment will have on their overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the potential risks of an investment in the IDRs;
- understand thoroughly the terms of the IDRs and the Shares and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect their investment and their ability to bear the applicable risks.

16. ***Economic developments and volatility in securities markets in other countries may cause the price of the IDRs to decline***

The securities markets are influenced by economic developments and volatility in securities markets in other countries and, in particular, in other emerging markets. Investor reaction to developments in one country may have an adverse effect on the market price of securities of companies located in other countries. For instance, the economic downturn in the US and several European countries from 2001 to 2003 adversely affected market prices in the world's securities markets. Financial markets in the United States, Europe and Asia, including India, have been experiencing extreme disruption in the past two years, including, among other things, volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. These and other related events, such as the collapse of a number of financial institutions, have had and continue to have a significant adverse impact on the securities markets. Negative economic developments, such as rising fiscal or trade deficits, or a default on sovereign debt, in other emerging market countries may affect investor confidence and cause increased volatility in securities.

17. IDR issue may raise concerns relating to tax treatment

The Income Tax Act and other regulations do not specifically refer to the taxation of IDRs. IDRs may therefore be taxed differently from ordinarily listed shares issued by other companies in India. In particular, income by way of capital gains may be subject to a higher rate of tax.

The tax treatment in future may also vary depending on the provisions of the proposed Indian Direct Taxes Code which is currently due to take effect from 1 April 2011 and which is only in draft form at this time.

Investors are advised to consult their own tax advisers and to consider carefully the potential tax consequences of an investment in IDRs. For further details please refer to "*Indian Taxation*" under section titled "*Taxation Framework in India and UK*" on page 411 of this Red Herring Prospectus.

18. Various factors may impact the continued listing of the IDRs

The IDR issuance and listing is made under the existing IDR regulatory environment and market conditions in India. Material changes to such environment and conditions may cause the Company to reassess the general viability of maintaining the listing of the IDRs in India. The factors for such consideration may include, among others, incremental costs relating to regulatory compliance and program maintenance, the pricing and trading volume for the IDRs and the local market perception towards the Company. The implementation of a decision to discontinue the listing of the IDRs (and potentially to terminate the IDR Facility) would be subject to then applicable laws and discussions with Indian regulators and the Stock Exchanges. In addition, the Stock Exchanges may delist the IDRs for breach by the Company of applicable rules and regulations. Pursuant to the Conditions, if the IDRs were to be delisted for any of these reasons, an IDR Holder would be entitled to withdraw the Shares underlying that IDR Holder's IDRs, (the right to withdraw being subject to certain limitations described elsewhere in this Red Herring Prospectus). If any IDR Holder that withdraws the Shares underlying the relevant IDRs wishes to hold such Shares in dematerialised form, it would need to make appropriate arrangements to hold such Shares through CREST or CCASS, which may involve appointing a third party custodian or other nominee. If the IDR Holder is unable to hold Shares directly, and the IDR Facility is discontinued, those Shares will be sold at the prevailing market rate and the cash distributed to that IDR Holder. The price received by IDR Holders for those Shares following such sale may be higher or lower than the price paid for the IDRs under the Issue and the average market price at which the IDRs are traded on the Stock Exchanges.

The IDRs will be delisted if the Shares are delisted. Pursuant to the Conditions, if this were to happen, an IDR Holder would receive the Shares underlying that IDR Holder's IDRs. The mechanism for selling the Shares described above will not be available if the Shares are delisted.

The Company will not follow the reverse book building process (followed for delisting of equity shares by Indian companies in India) in the event of delisting of the IDRs.

19. Potential abolition of the 1.5% SDRT charge on entry into a depository receipt system

Investors should be aware that on 1 October 2009 the European Court of Justice ("ECJ") ruled, in *C-569/07 HSBC Holdings Plc, Vidacos Nominees Limited v The Commissioners of Her Majesty's Revenue & Customs*, that the 1.5% SDRT charge on the issue of shares into a clearance service is contrary to EU law. Although the decision of the ECJ deals with the issue of chargeable securities into a clearance system, HM Revenue and Customs have implied that they accept that the same reasoning applies to an issue of chargeable securities into a depository receipt arrangement, but dispute that this extends to issuers of depository receipts which are resident outside the EU. As such, there remain uncertainties as to territorial scope and as to how the decision may impact depository receipts. If the decision is held to apply to the issue of securities into non-EU depository receipt schemes, the 1.5% SDRT charge may be unlawful. It is at this stage unclear whether legislative change will be introduced to charge transfers of depository receipts where either no entry charge has been paid or the entry charge has been reclaimed.

Risks to IDR Holders who cancel their IDRs and become shareholders

20. IDR Holders that are able to cancel their IDRs and become shareholders of the Company may still be subject to certain limitations not applicable to other shareholders

Under Indian law, IDR Holders that are resident in India are only permitted to hold the Shares underlying their IDRs for the purpose of sale and are required to sell the shares within a period of 30 days following the withdrawal.

In addition, IDR Holders may also be subject to certain risks that are not applicable to other shareholders of the Company if there is a distribution by the Company in the form of an issue of additional Shares to existing shareholders. In particular, IDR Holders are unlikely to be able to receive additional Shares from the Company in a rights offering or a bonus issue of shares or following an election made, at their option, to receive scrip dividend from the Company (if offered by the Company). This is because of the continuing application of certain provisions of Indian law to distributions made by the Company in India. See the risk factor titled "*Certain corporate actions of the Company may entitle existing shareholders of the Company to receive further Shares from the Company. However, the ability of IDR Holders to receive such further Shares from the Company (either in the form of Shares or IDRs representing the Shares) may be restricted*" on page 71 of this Red Herring Prospectus.

THE CONSIDERATIONS SET OUT ABOVE ARE NOT INTENDED TO BE A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY OF THE IDRs.

Notes to risk factors:

Issue of 240,000,000 IDRs at an issue price of Rs. [●]* per IDR with every 10 IDRs representing one Share aggregating up to Rs. [●] million.

The Issue is being made through a 100% Book Building Process where at least 50% of the Issue shall be Allotted to QIBs on a proportionate basis. Provided that the Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis out of which one-third shall be reserved for domestic Mutual Funds. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Furthermore, not less than 18% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders. Further, not less than 2% of the Issue shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received from them at or above the Issue Price, in the Employee Portion. Under-subscription, if any, in any category except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange.

Only Eligible Employees would be entitled to apply in this Issue under the Employee Portion.

Insurance companies (other than Eligible Insurance Companies) are not entitled to apply under the QIB Portion.

The net worth of the Group was US$27,340 million as of 31 December 2009 as per the Group's financial statements included in this Red Herring Prospectus.

For any clarification or information relating to the Issue, investors may contact the BRLMs or the Company, who will be obliged to provide such clarification or information to the investors at large. No selective or additional information would be available for a section of investors in any manner whatsoever.

Investors may contact the Compliance Officer or the Registrar to the Issue for any complaints pertaining to the Issue.

Allotment and trading in IDRs for all investors shall be in dematerialised form only.

Investors are advised to refer to the section titled "*Basis for Issue Price*" on page 348 of this Red Herring Prospectus.

* A discount of 5% to the Issue Price determined pursuant to the Book Building Process may be offered to the Retail Individual Bidders and the Eligible Employees whose Bid Amount does not exceed Rs. 100,000.

INDUSTRY

INDUSTRY OVERVIEW

GLOBAL ECONOMIC OVERVIEW

The global recovery is proceeding better than expected but at varying speeds – solidly in most emerging and developing economies and tepidly in many advanced economies. Among emerging and developing economies, Asia is leading the recovery, while many emerging European economies are lagging behind. Among the advanced economies, United States is off to a better start than Europe and Japan. This multispeed recovery is expected to continue. (source: IMF, World Economic Outlook, April 2010). The International Monetary Fund (the "IMF") World Economic Outlook revised its outlook for World GDP growth in April 2010 from its earlier report published in January 2010 2009. The IMF now predicts a 4.25% increase in world output in 2010 which represents an upward revision of 25 basis points from its January 2010 estimate and 100 basis points upward revision from its October 2009 estimate.

This recovery of the global economy has been led by stimuli provided by governments around the world. Monetary policy has been highly expansionary, with interest rates at record lows in most advanced and in many emerging economies, while central bank balance sheets expanded to unprecedented levels in key advanced economies. Fiscal policy has also provided major stimulus in response to the downturn.

These measures have helped the economic recovery with major equity indices such as the Dow Jones Industrial Average, the S&P 500, the NASDAQ composite, the FTSE, the Dow Jones Euro Stoxx 50, the Nikkei and the Hang Seng having risen by up to 52% between January 2009 and December 2009 (source: Bloomberg) indicating that markets are starting to see some signs of stability. The Chicago Board Options Exchange SPX Volatility Index (a measure of volatility) which reached a peak of 80.86 in November 2008 in the wake of the collapse of Lehman Brothers averaged only 31.49 from January 2009 to December 2009 (source: Bloomberg).

Output in the advanced economies is now expected to expand by 2.3% in 2010, following a sharp decline in output in 2009. However, recovery in advanced economies is still expected to be weak by historical standards, with real output remaining below its pre-crisis level until late 2011. On the other hand, growth in emerging and developing economies is expected to rise to about 6.3% in 2010, following a modest 2.4% growth in 2009. Stronger economic frameworks and swift policy responses have helped many emerging economies to cushion the impact of the unprecedented external shock and quickly re-attract capital flows (source: IMF, World Economic Outlook, April 2010).

Exchange rates and inflation

The value of the US Dollar relative to a broad group of currencies rose during 2008 and the first part of 2009 as the United States currency strengthened against those of its trading partners. A strengthened US Dollar in large measure was the result of a flight to cash in exchange for a perceived "safe haven" currency. In the first half of 2008 the Euro rose 7% against the US Dollar and then fell 14% from July to December. The Euro had previously gained 30% against the US Dollar between January 2006 and its peak in July 2008. The British Pound, the Canadian US Dollar and the Korean won all displayed similar trends, falling sharply against the dollar in the second half of 2008, after a long period of appreciation (source: WTO, World Trade Report 2009).

However, 2009 has seen the global currencies recover against the US Dollar after witnessing this period of volatility as exchange flows are directed towards emerging and other economies with higher return opportunities. By the end of 2009 major currencies like the Euro, British Pound and Japanese Yen have recovered between 2.7-12.9% from the lows of November 2008. (source: Bloomberg).

Capacity utilization levels remain low and well-anchored inflation expectations are expected to contain inflationary pressures. In advanced economies, headline inflation is expected to pick up from 0.1% in 2009 to 1.5% in 2010, as rebounding energy prices more than offset slowing labour costs. In emerging and developing economies, inflation is expected to rise to 6.2% in 2010, as some of these economies may face growing upward pressures due to more limited economic slack and increased capital flows (source: IMF, World Economic Outlook, April 2010).

World Trade

World trade flows sagged and production slumped, first in developed economies and then in developing countries due to signs of sharp deterioration in the global economy in the second half of

2008 and the first few months of 2009 (source: WTO, World Trade Report 2009). However, global trade bounced back in the second half of 2009. Confidence rebounded strongly on both the financial and real fronts, as extraordinary policy support forestalled another Great Depression. In advanced economies, the beginning of a turn in the inventory cycle and the unexpected strength in US consumption contributed to positive developments. Final domestic demand was very strong in key emerging and developing economies. Despite recovery in the second half of 2009, world trade volume is expected to have contracted by 10.7% in 2009 (source: IMF, World Economic Outlook, April 2010).

However, world trade is expected to rebound in 2010 and 2011 in line with global economic recovery. World trade volume is expected to grow by 7.0% and 6.1% in 2010 and 2011 respectively. Both emerging and advanced economies are expected to show positive growth in trade with imports in emerging economies rising by 9.7% and in advanced economies by 5.4% in 2010. In 2010, exports for emerging economies and advanced economies are expected to rise by 8.3% and 6.6% respectively (source: IMF, World Economic Outlook, April 2010).

Asia

Asia is estimated to have grown by 2.8% in 2009 on the back of strong growth by emerging Asian economies. Industrial economies are estimated to have contracted by 4.4% overall with Japan contracting by 5.4% in 2009. Asia is rebounding fast from the depths of the global crisis as the world pulls out of recession. As international trade and finance normalizes, it is expected to generate an outsized Asian upturn. Asia's recovery has been aided by a thawing of international capital markets, which has restored firms' access to critical long-term equity and debt financing. Additionally, Asia's relatively strong initial conditions have given it the space to cut interest rates sharply and adopt large fiscal stimulus packages. As a result, overall domestic demand has held up remarkably well. In line with global recovery, Asia is expected to grow by 5.8% in 2010 led by China and India and with all major Asian economies showing positive GDP growth. (source: IMF, Regional Economic Outlook (Asia), October 2009).

China

China's economy boomed in recent years, growing by more than 11% in 2006 and 2007 (source: IMF World Economic Outlook Database, April 2008). However, the growth slowed, with the economy growing 9.6% and 8.7% in 2008 and 2009 respectively (source: IMF, World Economic Outlook, April 2010). Public spending accelerated in 2009 as fiscal stimulus was used to support the economy, notably through a range of infrastructure projects, such as railways, airports, environmental infrastructure and low-cost housing. Fiscal inflows picked up sharply in the second half of 2009, offsetting a very weak first half. The People's Bank of China (China's central bank) has begun to tighten monetary and credit policy though it still remains very loose. Total lending growth is likely to fall from the elevated levels of 2009, but is still expected to be buoyant in 2010 (source: EIU). China is expected to grow at 10.0% in 2010 and 9.9% in 2011 (source: IMF, World Economic Outlook, April 2010) and is expected to continue to be a major engine of global growth (source: National Bureau of Statistics, China).

India

The Indian economy has enjoyed a strong annual growth rate of above 9% in the period from 2005 to 2007, in comparison to the previous trend of around 6% during 1995-2004 (source: IMF, World Economic Outlook, April 2009). India is in a relatively comfortable position compared with other Asian economies due to its relatively closed economy. Thus, the immediate result of lower export-demand was not felt in India in the same way as in some of the more export-driven South East Asian economies. India's GDP grew by 7.3% and 5.7% in 2008 and 2009 respectively (source: IMF, World Economic Outlook, April 2010). Growth in industrial production, investment and exports has rebounded on the back of government stimulus measures, pent-up domestic demand and low interest rates (source: EIU). India is expected to grow at 8.8% and 8.4% in 2010 and 2011 respectively (source: IMF, World Economic Outlook, April 2010).

The relatively limited impact of the global financial crisis on the Indian economy coupled with the fact that many domestic macroeconomic indicators are looking healthier and the recent surge in inflation suggest that interest rates could move upward. In October 2009 the Reserve Bank of India (RBI, the central bank of India) had to raise its inflation target for March 2010 to 6.5%, from the 5% target set previously. The current rate of inflation for primary articles stands at 14.2% for the week ended 3 March 2010 (source: RBI). Amid this surge in inflation, the RBI has been under pressure to tighten monetary policy. The repurchase (repo) rate is forecast to be raised to 6% by the end of 2010 and to 6.75% by the end of 2011, but the increasing upside inflationary risks means that there is a possibility of greater or faster monetary tightening (source: EIU).

In its April 2010 review of monetary policy, RBI maintained its focus on inflationary concerns. It further increased the repo and reverse repo rates by 25 basis points with immediate effect to take repo and reverse repo rates to 5.25% and 3.75% respectively. It also increased the cash reserve ratio (CRR) of scheduled banks by 25 basis points from 5.75% to 6.0% effective the fortnight beginning April 24, 2010.

Hong Kong

Hong Kong has experienced strong and broad-based economic growth in recent years. Real GDP has grown year-on-year at a rate of 7.0% and 6.4% in 2006 and 2007 respectively (source: Hong Kong Trade Development Council – Economic and Trade Information on Hong Kong, 30 December 2008). In 2008, Hong Kong's real GDP growth came down to 2.5% impacted by the global economic crisis (source: IMF, World Economic Outlook, April 2009). Hong Kong's economy grew on a quarter-on-quarter basis in both the second and third quarters of 2009. Despite this, GDP is still estimated to have contracted by 2.7% in 2009 as a whole, owing to a slump in exports (source: EIU).

Hong Kong is expected to grow by 4.6% and 3.4% in 2010 and 2011 respectively. Consumer confidence is likely to be boosted by an improvement in the job market, increase in nominal wages and rising visitor arrival numbers as world tourism and business travel pick up. Trade flows will also improve considerably relative to their 2009 levels. The rise in trade is expected to impart momentum to job creation and as businesses become confident to take advantage of loose credit conditions, investment is expected to rise. Inflationary pressures are not expected to be a major concern in Hong Kong in 2010 and 2011. Consumer price inflation is forecast to average only 2.2% in the period, following average inflation of just 0.5% in 2009.

Singapore

Singapore is a strong, free-market economy. It has very low levels of corruption and among the highest per capita income in the world. The economy is heavily dependent on exports, particularly consumer electronics, information technology products, and increasingly bio-technology and pharmaceuticals. The rate of growth of Singapore's economy decreased in the period from 2001 to 2003 due to the global recession, the slowdown in the growth of the technology sector and an outbreak of Severe Acute Respiratory Syndrome in 2003, which adversely impacted tourism and consumer spending. The government implemented various fiscal and monetary policies in the period from 2004 to 2007 in order to facilitate the recovery of Singapore's economy. Due to these policies Singapore witnessed a real GDP growth averaging 6.8% annually between 2004 and 2008 (source: Central Intelligence Agency (the "CIA") The World Factbook Singapore 13 April 2010).

The economy grew by 1.4% in 2008 and is estimated to have contracted by 2.0% in 2009. However, in line with an improvement in the global economy, and owing to the fiscal and monetary measures adopted by the government, Singapore's economy is forecast to grow by 5.1% and 5.0% in 2010 and 2011 respectively. The main drivers of growth are expected to be private consumption and gross fixed investment, with the increase in the latter being spurred by government investment. Net exports of goods and services will be supported by stronger global economic growth. Following an eight-month spell of deflation from April 2009, consumer prices are expected to return to an upward trend in 2010, with annual inflation set to average 2.2% in 2010 (source: EIU).

Malaysia

The Malaysian economy was growing at a healthy pace at the start of 2008 despite the global slowdown. The GDP growth rate was over 4.6% in 2008 (source: IMF, World Economic Outlook, April 2009). This followed GDP growth of 6.3% in 2007, driven by high commodity prices, consumer spending and steady investment, and was supported by the Malaysian government's fiscal spending. While manufacturing exports underperformed in 2008, this was offset by high commodity prices, with the rural economy benefiting from high palm oil prices. Malaysia is Asia's largest producer of commodities and the region's only net exporter of oil.

However, the Malaysian economy is estimated to have contracted by 1.7% in 2009, its largest contraction since the 1997-1998 Asian financial crisis. In line with global recovery, Malaysia is expected to post a GDP growth of 5.4% and 4.0% in 2010 and 2011 respectively. A pick-up in economic activity in Singapore, the US, Japan and the Euro area this year will help to stimulate Malaysia's external economy, as these four centres combined account for approximately 53% of Malaysian exports. Price pressures are likely to remain subdued in 2010, when consumer price inflation is expected to average 1.5%. Reductions in the fuel subsidy will generate upward price pressure, but other factors are likely to have a dampening effect on prices (source: EIU).

South Korea

The South Korean economy is primarily driven by exports and thus has suffered significantly from the contraction in demand from the developed economies. A shortage of US Dollar liquidity has also been a problem, though the provision of a US Dollar swap line with the US should alleviate the problem. Therefore, having suffered particularly acutely at the start of the financial crisis, prospects for South Korea are now stabilising. The country saw GDP growth of 2.3% in 2008 and 0.2% in 2009. The economy is expected to recover, over time, taking into account the weaker Korean Won, a fiscal stimulus and significant rate cuts. South Korea's GDP is projected to grow by 5.0% and 4.0% in 2010 and 2011 respectively (source: EIU).

Europe

Europe has been severely tested in the recent economic downturn, with both emerging Europe and Western Europe suffering. Many countries have experienced negative growth, most notably Germany and the UK.

After gathering pace through early 2009, the contraction appears to have ended in mid-2009, helped by rebounding confidence and a tentative recovery of global trade. Headline inflation remains low, reflecting developments in commodity prices and weak demand, especially investment. Interest rate cuts, unconventional monetary measures, and rapidly accumulating fiscal deficits helped put a floor under falling economic activity and an array of financial sector interventions succeeded in dissipating systemic hazards and lifting risk appetite and asset prices (source: IMF, Regional Economic Outlook (Europe), October 2009).

The recovery is expected to be slow with rising unemployment and scarcity of credit as banks continue to deleverage their balance sheets, weighing on economic activity. Strong policy action across many advanced and emerging economies has helped stabilize demand. Equity values are well off their lows and there are signs that declines in housing prices are abating, but with credit declining and unemployment looking set to rise, upward momentum is likely to remain weak for some time (source: IMF, Regional Economic Outlook (Europe), October 2009).

As a result the outlook for 2010 is moderately positive with Europe expected to grow by 0.8% overall, with advanced European economies and emerging European economies expected to grow by 0.5% and 1.7% respectively (source: IMF, Regional Economic Outlook (Europe), October 2009.

Middle East and North Africa ("MENA")

With the high oil prices and strong interest of the global investors in the region, the MENA region grew by 5.1% on average during 2000-2008. However, the sharp decrease in oil prices in the second half of 2008, the food crisis and the global financial crisis have created some concerns for the countries of the region. GDP growth is expected to be as low as 2.2% in 2009. The region's growth advances have had some spillovers for job creation, but unemployment remains the greatest development challenge facing the region. Much of the economic landscape of the MENA region has changed positively but with the persistence of the financial crisis and the uncertain global economic environment, MENA faces prospects of a high impact of the global crisis on its real economy due to adverse developments or uncertainty in international trade, oil prices, tourism, remittances, and international financing conditions (source: World Bank Brief: Middle East and North Africa Region, October 2009).

Sub-Saharan Africa

After nearly a decade of strong economic performance, the growth in Africa's sub-Saharan economy reduced to 1.6% in 2009 from 5.6% in 2008 (source: IMF, World Economic Outlook, January 2010). The downturn has slashed the exports of many sub-Saharan countries and disrupted capital flows. Oil exporters and middle income countries have been particularly hard hit, with low-income countries hit to a relatively lower extent. Relatively prudent policies during the upswing have provided space for domestic economies to absorb some of the shocks, supported by specific countercyclical measures.

Financial sectors in a number of sub-Saharan countries have come under strain. However, they have largely escaped the huge contractions and losses witnessed in many other countries.

Looking ahead, the budding recovery in the global economy is expected to sustain a revival in Africa's sub-Saharan economic growth to 4.3% in 2010 and 5.5% in 2011 (source: IMF, Regional Economic Outlook (Sub-Saharan Africa), October 2009 & IMF, World Economic Outlook, January 2010).

United States

The US is the largest and most technologically advanced economy in the world, with an estimated per capita GDP of US$46,900 (source: CIA, The World Factbook United States 7 April 2010). The rise in US GDP in the period from 2004 to 2007 was driven by substantial gains in productivity. However, a rising budget deficit, entitlement liabilities in respect of the significant numbers of people who are retiring and entering the social security system, a low savings rate and a large current account deficit are among the concerns facing the US economy. The merchandise trade deficit reached a record US$840 billion in 2008 before shrinking to US$450 billion in 2009. The global economic downturn, the sub-prime mortgage crisis, investment bank failures, falling house prices, and a tightening of credit pushed the United States into a recession by mid-2008. GDP contracted till the third quarter of 2009, making this the deepest and longest downturn since the Great Depression. To help stabilize financial markets, the US Congress established a US$700 billion Troubled Asset Relief Program (TARP) in October 2008. The government used some of these funds to purchase equity in US banks and other industrial corporations. In January 2009 the US Congress passed, and President Barack Obama signed, a bill providing an additional US$787 billion fiscal stimulus to be used over 10 years - two-thirds on additional spending and one-third on tax cuts - to create jobs and to help the economy recover. Approximately two-thirds of these funds will have been injected into the economy by the end of 2010 (source: CIA, The World Factbook).

US GDP contracted by 2.4% in 2009 but is expected to bounce back to 2.8% growth in 2010. The strength of growth in 2010 largely reflects massive stimulus and partial reversal of sharp cuts in inventories. The US economy is expected to grow by 1.5% in 2011 as policy support is withdrawn at a slightly slower pace than previously expected (source: EIU).

The Federal Reserve (the Fed, the central bank of the US) remains focused on finding the right balance between providing sufficient support for the recovery and the risk of excessive inflation. Inflation has picked up in recent months. The large demand shortage caused by the downturn will exert strong downward pressures on prices in 2010 and in 2011. Core inflation (excluding energy and food) is expected to remain positive, but there is a risk of a sustained decline in prices, as the depressed state of household finances undermines business pricing power and the weak labour market reduces workers' bargaining potential in wage negotiations (source: EIU).

The Federal Reserve Board on 10 February 2009 announced that it is prepared to undertake a substantial expansion of the Term Asset-Backed Securities Loan Facility ("TALF"). The expansion could increase the size of the TALF to as much as US$1 trillion and could broaden the eligible collateral to encompass other types of newly issued AAA-rated ABS, such as CMBS, private-label RMBS, and other ABS. An expansion of the TALF would be supported by the provision by the US Treasury of additional funds from the TARP. The Federal Reserve Board's objective in expanding the TALF would be to provide additional assistance to financial markets and institutions in meeting the credit needs of households and businesses and thus to support overall economic growth in the current period of severe financial strains (source: Federal Reserve website).

On 14 January 2010, the US President announced his intention to propose a Financial Crisis Responsibility Fee that would require the largest and most highly levered Wall Street firms to pay back taxpayers for the assistance provided so that the TARP program does not add to the deficit.

The proposed fee would be levied on the debt of financial firms with more than US$50 billion in consolidated assets. Both domestic firms and US subsidiaries of foreign firms would be subject to the fee. The proposed fee would be assessed at approximately 15 basis points of Covered Liabilities (where Covered Liabilities = Assets – Tier 1 capital – FDIC-assessed deposits (and/or insurance policy reserves, as appropriate)). The fee, which could come into effect on 30 June 2010, would last at least 10 years. If the costs have not been recouped after 10 years, the fee would remain in place until they are paid back in full. Complete details of the proposed Financial Crisis Responsibility Fee will be released in conjunction with the President's budget. The proposal is subject to approval by Congress.

On 21 January 2010, the US president announced a proposal to restrict the size and scope of banks and other financial institutions to rein in excessive risk taking and to protect taxpayers. The proposal is subject to approval by Congress.

On 18 February 2010 the Federal Reserve made modifications to the terms of its discount window lending programs in light of an apparent improvement in financial market conditions. The Federal Reserve increased the primary credit rate from 0.5% to 0.75%, which became effective on 19 February 2010 (source: Federal Reserve).

United Kingdom

The UK's growth remained in the 2% to 3% range from 2004 to 2008, outpacing most of Europe (source: CIA, The World Factbook United Kingdom, 15 July 2008). Services, particularly banking, insurance and business services, account for by far the largest proportion of GDP while industry continues to decline in importance. London's prominence in these areas has been a significant source of growth in recent years, but now as unemployment and uncertainty in these areas rise with the financial crisis, the results are being felt throughout the economy. The UK's GDP growth slowed down to 0.5% in 2008 and is estimated to have contracted by 4.9% in 2009 (source: EIU). Economic policy remains focused on containing the fallout from the financial and economic crisis. Government measures to support the financial sector via an array of state-funded loans, guarantees and capital injections total around £1trn (US$1.7trn; 75% of GDP), with taxpayers holding major stakes in two large UK banks – the Royal Bank of Scotland and Lloyds Banking Group.

The UK has started to show signs of recovery with the economy officially crawling out of recession in the final three months of 2009 with quarterly growth of 0.3%. Current trends continue to point to a stabilisation in macroeconomic conditions and headline GDP is likely to receive a temporary boost from inventory rebuilding. Private-sector balance sheets have improved slightly and private consumption is expected to see a modest rise in 2011. GDP is expected to grow by 0.7% and 1.0% in 2010 and 2011 respectively (source: EIU).

BANKING SECTOR OVERVIEW

Trends

Recent developments

The financial system has been significantly stabilised over the past six months, underpinned by the authorities' sustained support for the banking system and monetary policy measures. Low risk-free interest rates and reduced uncertainty among investors have led to a rebound in a range of asset prices. Activity in many capital markets has resumed, reducing financing risks for some borrowers. The market rally has boosted bank profits and lowered concerns about potential future losses, and banks have raised further external capital. As solvency concerns have eased, banks have been able to issue unguaranteed term debt, helping them to reduce their reliance on short-term funding (source: Bank of England, Financial Stability Report, December 2009).

Market liquidity

The recent disruption of the credit markets has resulted in assets being moved back onto the balance sheets of banks. This has reduced banks' ability to lend. The disruption has created an imbalance between the supply and demand for many classes of financial assets and has led to debt traders adopting a very cautious approach to the purchase of any securities which are neither fully transparent in risk profile nor of assured liquidity. Although this liquidity strain began in the asset-backed securities markets, it has since spread to more traditional investment classes. Banks are now limited to their available capital and funding resources for the sourcing of assets. This environment is less disruptive to banks that fund their lending through deposits than those that historically relied on the securitisation markets for funding.

Progressive alignment of the capital adequacy framework towards economic capital

As banks have implemented the Basel II requirements in respect of capital adequacy, their capital requirements have been more closely aligned with their risk profiles. Future increases in capital requirements and changes in capital regulations are expected as a result of measures taken to address the causes of the recent financial crisis. In an environment of economic uncertainty many banks may need to reduce lending due to forecasted increases in capital requirements arising from their exposure to credit risk together with anticipated future higher capital requirements. Banks' reduction in risk appetite may, potentially, accelerate the deterioration in credit quality as credit availability is restricted during a downturn in the economic cycle. When coupled with a lack of market liquidity this may lead to polarisation within the banking system. Banks with greater capital and liquidity resources will be better placed to meet the ongoing banking requirements of their customers than other banks which are more constrained in this regard.

Increasing product competition

As markets develop, banks are exposed to an increasingly competitive environment, resulting in falling margins. In particular, the increased level of foreign ownership in a number of markets has resulted in intense competition as foreign financial institutions continue to transfer know-how and capital to these markets. As the global economy continues to become more integrated, market convergence accelerates. Less developed markets become more stable in terms of economic development, funding costs for banks decrease, and the level of customer and product sophistication increases. With increasing GDP per capita, the need for more sophisticated banking products is rising quickly in various markets, generating significant cross-selling opportunities for a number of value-added products such as asset management products, insurance and credit cards. Many banks have taken initiatives to realise the potential of selling these products to generate higher income. The level of competition regarding these product areas therefore continues to increase.

Consolidation

The banking industry is consolidating, both regionally and within individual countries. Continued local consolidation will most likely be induced by existing economies of scale, in particular in retail banking, as well as by the competitive advantage that foreign-owned banks enjoy due to premium consumer perception and better access to funding, in addition to frequently having a more sophisticated product offering. The trend towards consolidation in the global financial services industry is stimulating the emergence of competitors in the market offering broad ranges of products and services, broad access to capital, and greater operating efficiency and pricing power. This is coupled with a shift from mere price competition to competition based on other factors such as innovation, customer service and the range of products and services offered.

Advances in technology

The number of customer transactions continues to grow at a considerably higher rate than the growth of the underlying balances or accounts. Many banks are therefore seeking to reduce the cost of servicing individual transactions to maintain their profit margins. Installing automated, secure transaction channels requires significant investment and therefore gives larger-scale banks a competitive advantage. Despite widespread adoption by both banks and customers of these new transaction methods, the reduction in the use of traditional transaction methods has been slower than expected with many banking customers preferring to use the old methods. However, there is a trend among the younger portfolio of customers of increased use in system-aided self-service methods, particularly for savings accounts, credit cards and simple investments.

It is likely that the use of 24-hour self-service channels, such as ATMs, internet, mobile phone and voice response units and the sophistication of products sold via such channels will increase, as such services become increasingly commonplace. The growing importance of these channels may reduce the importance of extensive branch networks and result in increased competition from other financial institutions. It may also lower barriers to entry into the market for new competitors such as providers of direct or electronic banking services.

Changes in regulation

Initiatives such as Basel II and the EU Directive 2009/111/EC, together with the increasingly international scope of financial services, have raised the level of cooperation between regulatory authorities in different countries. Enhanced understanding of how risks are originated and dispersed in modern financial markets has reinforced the need to address how best to regulate the increasingly integrated and international nature of banking and financial services; this has been evidenced throughout the financial crisis in coordinated discussions between countries and international institutions. In addition, the enlargement of the EU, the introduction of MiFID and the continued effort to endorse consistent standards and enforcement have encouraged regulatory bodies to work together more closely. Interaction and cooperation have led to competitive and regulatory issues emerging in one country rapidly being taken up in other jurisdictions or on a supra-national basis. Uniform standards, however, continue to be complicated by differing local interpretations or additional local laws and regulation.

REGIONAL OVERVIEW

India

(source: All the data in this section has been sourced from materials prepared by the government of India and the RBI).

Reserve Bank of India

The RBI is the central bank of India. It is the central regulatory and supervisory authority for banks operating in India. The RBI is responsible for:

- managing money supply and foreign exchange including through the establishment of monetary policies;
- serving as the central bank for the government of India; and
- issuing guidelines on exposure limits, asset classification, investment valuation and capital adequacy for commercial banks, long-term lending institutions, non-banking finance companies and other specialised and government-owned financial institutions. The RBI requires these institutions to report to it on a regular basis.

The Indian financial sector was subject to stringent regulations until the early 1990s. During this period, interest rates were administered and asset allocation was governed through various formal and informal mechanisms and strict controls limited the entry into, and the expansion of, the financial sector. In 1991, the government of India initiated a reform programme for India, which encompassed the financial sector.

Commercial banks: Commercial banks in India focus on the short-term financial needs of entities undertaking industrial, trade or agricultural activities. As of 31 March 2009, there were 171 "scheduled commercial banks" in the country, with a network of 79,056 branches holding approximately Rs. 39.37 trillion in deposits and Rs. 28.58 trillion in loans. Scheduled commercial banks are banks that are listed in the schedule to the RBI Act as public sector banks, private sector banks or foreign banks.

Public sector banks: Public sector banks form the largest of the three categories of scheduled commercial banks in India. These banks include the State Bank of India and its seven associate banks, 20 nationalised banks and 86 regional rural banks. In aggregate, these banks had 70,019 branches, and accounted for 77% of the outstanding gross bank credit and 76% of the aggregate deposits of the scheduled commercial banks as at 31 March 2009. The public sector banks' large network of branches enables them to fund themselves from deposits at low cost.

Private sector banks: In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system. As at 31 March 2009, there were 23 private sector banks with a network of 8,761 branches accounting for 11% of the total branch network of scheduled commercial banks in the country. As at 31 March 2009, private sector banks accounted for approximately 18% of aggregate deposits and 18% of outstanding gross bank credit of the scheduled commercial banks.

Foreign banks: As of 31 March 2009, foreign banks had 276 branches operating in India, accounting for 6% of the aggregate deposits and 5% of the outstanding gross bank credit of scheduled commercial banks. As part of the liberalisation process, the RBI has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. While the primary activity of most foreign banks in India has traditionally been in the corporate sector, some of the larger foreign banks have increasingly made consumer financing a larger part of their portfolios, offering an array of products such as automobile finance, home loans, credit cards and household consumer finance.

The RBI issued a notification, entitled "*Roadmap for presence of foreign banks in India*", on 28 February 2005, announcing the following measures with respect to the presence of foreign banks:

- during the first phase (up to March 2009), foreign banks will be allowed to establish a presence by setting up wholly-owned subsidiaries or by converting existing branches into wholly-owned subsidiaries;
- in addition, during the first phase, foreign banks will be allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by the RBI for restructuring;
- for new and existing foreign banks, it has been proposed to go beyond the existing World Trade Organization commitment of allowing increases of 12 branches per year. A more liberal policy will be adopted in areas with a lower presence of bank branches; and
- during the second phase (from April 2009 onwards), after a review of the first phase, foreign banks will be allowed to acquire up to 74% of private sector banks in India.

However, in view of the current global financial market turmoil, there are uncertainties surrounding the financial strength of banks around the world. Further, the regulatory and supervisory policies at national and international levels are under review. In view of this, it has been decided, for the time being, to continue with the current policy and procedures governing the presence of foreign banks in India. The proposed review will be taken up after due consultation with the stakeholders once there is greater clarity regarding stability, recovery of the global financial system, and a shared understanding on the regulatory and supervisory architecture around the world.

In its April 2010 review of monetary policy, RBI maintained its focus on inflationary concerns. It further increased the repo and reverse repo rates by 25 basis points with immediate effect to take repo and reverse repo rates to 5.25% and 3.75% respectively. It also increased the cash reserve ratio (CRR) of scheduled banks by 25 basis points from 5.75% to 6.0% effective the fortnight beginning April 24, 2010.

Market Share of Major Commercial Banks as at 31 March 2009

	Deposits	Loans
Public Sector Banks	%	%
State Bank of India	18.3	18.1
Punjab National Bank	5.2	5.2
Canara Bank	4.6	4.6
Private Sector Banks		
ICICI Bank	5.4	7,3
HDFC Bank	3.5	3.3
AXIS Bank	2.9	2.7
Foreign Banks		
Citibank	1.3	1.3
Hong Kong & Shanghai Banking Corporation	1.2	0.9
Standard Chartered Bank	1.0	1.3

Cooperative Banks

Cooperative banks cater to the financing needs of persons conducting agriculture and small-scale industry and self-employed businessmen in urban and semi-urban areas of India. The state-owned land development banks and the primary land development banks provide long-term credit for agriculture. At present, the RBI is responsible for the supervision and regulation of urban cooperative banks, and the National Bank for Agriculture and Rural Development is responsible for the supervision of state and district cooperative banks. The RBI has been granted the authority to regulate all cooperative banks in India by the provisions of the Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004.

Long-Term Lending Institutions

Long-term lending institutions such as IDFC Limited, IFCI Limited, ICICI Limited (prior to amalgamation) and the Industrial Investment Bank of India were established to provide medium-term and long-term financial assistance to various industries for the establishment of new projects and for the expansion and modernisation of existing facilities. These institutions provide fund-based and non-fund-based assistance to industry in the form of loans, underwriting and direct subscription to shares, debentures and guarantees. Although the initial role of these institutions was largely limited to providing a channel for government funding to industry, the reform process required them to expand the scope of their business activities. Their new activities include:

- fee-based activities such as investment banking and advisory services; and
- short-term lending activities, including corporate finance and issuing working capital loans.

Non-Bank Finance Companies

As at 31 March 2009, there were over 12,739 non-bank finance companies in India, mostly in the private sector. All non-bank finance companies are required to register with the RBI. The non-bank finance companies may be categorised into entities which take public deposits and those which do not. The companies which accept public deposits are subject to strict supervision by the RBI and are required to maintain the capital adequacy requirements of the RBI. The primary activities of the non-bank finance companies include the provision of consumer credit, including automobile finance, home finance and consumer durable products finance, as well as wholesale finance products such as bill discounting for SMEs, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-bank finance company, was granted a banking licence by the RBI and converted itself into Kotak Mahindra Bank Ltd. Over the past few years, certain non-bank finance companies in India have been involved in actions including bankruptcy proceedings initiated by investors and depositors alleging defaults by these companies, many of which are currently pending.

Impact of liberalisation on the Indian financial sector

As discussed above, until 1991, the financial sector in India was stringently regulated and commercial banks and long-term lending institutions had mutually exclusive roles and objectives and operated in an environment with little or no competition. Long-term lending institutions were focused on achieving the government of India's various socio-economic objectives, including balanced industrial growth and creating employment, especially in the under-developed regions of India. These institutions had access to long-term funds at subsidised rates from the government. The focus of the commercial banks was primarily on mobilising household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities.

However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms have transformed the operating environment of the banks and long-term lending institutions. In particular, the deregulation of interest rates; the emergence of a liberalised domestic capital market; the entry of new private sector banks; and the broadening of long-term lending institutions' product portfolios have progressively intensified competition between banks and long-term lending institutions. The RBI has permitted long-term lending institutions to carry out banking activities, subject to compliance with the prudential norms applicable to banks.

Recent trends and performance

The banking sector in India has become increasingly more competitive in recent years. Public sector banks have lost their market share to the more dynamic private sector banks and, to a lesser extent, to foreign banks.

The scheduled commercial banks in India, unlike their global counterparts, showed considerable resilience against the backdrop of global financial crisis and its effects on India's economy. While the balance sheet of public sector banks maintained their growth momentum, the private sector banks and foreign banks registered a deceleration in growth rate.

The profitability ratios of Indian commercial banks are relatively moderate but their core recurring income and profits are on a rising trend. Public sector banks appear marginally less profitable than their private sector counterparts, and foreign banks in India appear to be more profitable. Going forward, the increasing disintermediation and competition for good quality credit could exert some pressure on revenue streams and margins.

The robust deposit franchises of the larger Indian banks and, in particular, the public sector banks, helps to ensure such banks sources of relatively cheap and stable funding and provides them with a comfortable liquidity profile. This will play an important role in the growth of these banks. In terms of efficiency, RBI data as at 31 March 2009 shows that Indian commercial banks have a cost-to-income ratio of approximately 48%. This compares favourably with the ratios of international banks.

Asia Pacific

Hong Kong

Hong Kong classifies deposit-taking institutions into three tiers:

Licensed banks: These are commonly known as commercial banks. Only licensed banks may operate current and savings accounts. They accept deposits of any size and maturity, grant loans and advances, discount trade bills and bankers' acceptances, deal in gold, foreign exchange and securities and provide business consultative services and private banking. Licensed banks are required to have a paid-up share capital of at least HK$300m and total assets of at least HK$4 billion.

Restricted-licence banks ("RLBs"): These are commonly known as investment or merchant banks. They principally engage in merchant banking and capital market activities. RLBs are only allowed to accept deposits of HK$500,000 and above. RLBs are required to have a paid-up share capital of at least HK$100m.

Deposit-taking companies ("DTCs"): These are finance companies that engage in a range of specialised activities, including consumer finance, trade finance, leasing, factoring and securities business. DTCs are only permitted to accept deposits of a minimum of HK$100,000, with an original maturity of not less than three months. DTCs are required to have a paid-up share capital of at least HK$25m.

Licensed banks, RLBs and DTCs are all collectively known as authorised institutions ("AIs"). The aggregate loans, deposits and assets of all AIs, as at February 2010, is summarised in the table below:

February 2010, HK$bn	*Loans*	*Deposits*	*Total Assets*
Licensed banks	3,326	6,292	10,459
Restricted-licence banks	52	18	125
Deposit-taking companies	24	7	39
All authorised institutions	**3,402**	**6,317**	**10,624**

(source: HKMA Monthly Statistical Bulletin, April 2010)

The banking sector in Hong Kong is regulated by the HKMA which is the government authority responsible for maintaining monetary and banking stability. It was established in April 1993 by the merger of the Office of the Exchange Fund and the Office of the Commissioner of Banking.

As per data from the HKMA Monthly Statistical Bulletin (April 2010), as at March 2010, there were 147 licensed banks, 24 RLBs and 27 DTCs operating in Hong Kong. Of the 147 licensed banks, 124 were incorporated outside Hong Kong. Of the 23 locally incorporated licensed banks, several of these are foreign bank affiliates that are incorporated in Hong Kong, such as HSBC, Bank of China (Hong Kong), Standard Chartered Bank (Hong Kong) Limited and Citibank (Hong Kong).

The Bank of China, Hong Kong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited have the power to issue notes in connection with the Exchange Fund.

Major foreign banks in Hong Kong include Bank of Communications, Citibank (US) and United Overseas Bank (Singapore). Apart from Citibank, US banks with Hong Kong operations include JPMorgan Chase, Bank of America and the Bank of New York.

As of December 2008, 69 of the world's largest 100 banks (as ranked by total assets) had a presence in Hong Kong, according to the HKMA Annual Report 2008.

The HKMA carried out a gradual deregulation of the banking sector from 1999 to 2002. In December 2001, the HKMA lifted all branch restrictions on foreign banks. In July 2001, all interest-rate regulations were lifted, leaving banks free to set their deposit rates. In May 2002, the HKMA reduced the minimum asset requirement for foreign banks to HK$4 billion (from HK$16 billion) which made it easier for RLBs and DTCs to upgrade to licensed bank status. From January 2007, Hong Kong has also fully implemented the revised banking supervision standards modelled on the Basel II banking accord.

Recent trends and performance

Hong Kong banks' asset quality deteriorated in late 2008 and early 2009 amid a sudden and pronounced economic contraction and a decline in trade volume. Nevertheless, given the severity of the economic downturn, the uptick in banks' impaired loans has been surprisingly subdued and manageable. Although the sharp drop-off in exports and increased unemployment contributed to loan deterioration, continued economic growth in China and low prevailing interest rates limited the spread of problem loans. With the economy expected to return to growth in 2010 and asset prices holding firm amid expected low interest rates, banks' asset quality metrics should gradually improve.

Hong Kong banks' profitability in 2009 was weighed down by narrow Net Interest Margins driven by record-low interest rates, as well as elevated loan impairment charges and settlement expenses on Lehman Brothers-related minibonds, although profitability improved in the second half of 2009 as a result of a stabilisation in asset quality and an improvement in fee income.

Banks in Hong Kong have improved their liquidity and capital positions post the financial crisis by cutting dividends, reducing their loan portfolios and shifting funds into shorter - maturity and lower risk - weighted assets. Record fund inflows into Hong Kong also contributed to improved liquidity conditions in the banking system (source: Fitch).

Basel II was implemented in Hong Kong in 2007 and all Hong Kong-incorporated AIs are required to report their capital adequacy positions under the revised capital adequacy framework. The Hong Kong banking sector was strongly capitalised at the end of December 2009. The aggregate consolidated capital adequacy ratio of locally incorporated AIs was 16.9% at the end of December

2009. This increased by 2.2% as compared to 14.7% at the end of December 2008. However, this level remained well above the minimum international standard of 8% (source: HKMA Half-yearly Monetary and Financial Stability Report, March 2010).

Singapore

The government of Singapore began liberalising the banking sector in 1999 in order to strengthen domestic banks and to give foreign banks increased access to the local market. At present there are six domestic banks in Singapore. The largest of these is the Development Bank of Singapore Group. This is a government-controlled bank and was formed in 1998 from the merger of the Development Bank of Singapore and the Post Office Savings Bank. The United Overseas Bank group resulted from the merger of UOB and Overseas Union Bank in August 2001. The Overseas Chinese Banking Corporation group was created from the merger of OCBC with Keppel TatLee Bank in August 2001. The other three local banks in Singapore are Bank of Singapore, Far Eastern Bank (a subsidiary of United Overseas Bank) and Islamic Bank of Asia (majority owned by the Development Bank of Singapore group).

Domestic banks are allowed to offer a wide range of services in both traditional and investment banking. The MAS has announced that it would like local banks to maintain a market share of at least 50% in the banking sector in Singapore. Consequently, it is pushing local banks to increase their competitiveness through such steps as restructuring and improving the quality of senior management.

According to the MAS, Singapore has 120 commercial banks; seven of these are domestic banks and 113 are foreign banks. In addition, Singapore has 47 merchant banks; these banks focus primarily on investment banking activities. Nearly all of the merchant banks operating in Singapore are foreign banks.

The aggregate loans, deposits and assets of all the domestic banking units in Singapore, as at January 2010, are summarised in the table below:

	Loans	*Deposits*	*Total Assets*
January 2010, S$bn	283	394	723

(source: MAS Monthly Statistical Bulletin, February 2010)

The MAS serves as the central bank of Singapore. Following its merger with the Board of Commissioners of Currency on 1 October 2002, the MAS has also taken responsibility for issuing currency. The MAS supervises and regulates commercial banks, merchant banks, insurance companies and other financial institutions (such as non-banking finance companies), and is responsible for the control and supervision of the securities industry.

Singapore's foreign banks are categorised as full banks, wholesale banks or offshore banks. Full banks are allowed to offer the complete range of banking services. Wholesale banks and offshore banks are restricted in their activities in Singapore. According to the MAS, as at 21 April 2010, of the 113 foreign banks operating in Singapore, 25 are full banks, 47 are wholesale banks and 41 are offshore banks.

Most full banks in Singapore operate Asian currency units ("ACUs"). An ACU is a separate accounting unit used by banks for foreign currency denominated transactions. An ACU is eligible for numerous tax incentives. Banks running ACUs are authorised to accept deposits and extend loans in foreign currencies. Many full banks also act as dealers in the primary and secondary markets for Singapore government securities.

Wholesale banks in Singapore cannot operate S$ savings accounts for, or accept S$ fixed deposits of less than S$250,000 from, non-bank customers. They also cannot operate interest-bearing S$ current accounts for Singapore resident individuals.

Offshore banks cannot operate S$ savings accounts for, or accept S$ fixed deposits from, resident non-bank customers and can only provide them with credit facilities of up to S$500m.

The issuance of six full bank licences to foreign banks was the most significant promoter of competition at the retail level of the banking sector in Singapore. The six banks: ABN Amro (Netherlands), BNP Paribas (France), Citibank (US), HSBC (UK), Malayan Banking (Malaysia) and Standard Chartered (UK) were granted qualifying full bank status between late 1999 and December

2001. This status allows them to operate in up to 25 locations, which can be either branches or off-site ATM locations. The banks are also allowed to create a shared ATM network and provide debit cards through an electronic funds-transfer point of sale network. The banks are able to provide central provident fund investment scheme and supplementary retirement scheme accounts and accept central provident fund-fixed deposits.

Recent trends and performance

The global economic downturn led to a slowdown in trading and business activity in Singapore over the second half of 2008 and early 2009, reducing the demand for bank loans. Banks in Singapore have also been more cautious due to counterparty credit risk concerns and expectations of weakened corporate performance given the economic uncertainty. However, non-bank lending has recovered to the October 2008 peak after bottoming out in April 2009. The weakness in business lending was attributable to both tightened credit conditions as well as lower credit demand from corporates most affected by the economic slowdown. Government measures, notably the risk-sharing schemes introduced in early 2009 to facilitate lending to SMEs, have helped alleviate funding strains on creditworthy firms. Consumer loan growth since the first quarter of 2009 has been underpinned by a surge in housing loans given the heightened activity in the domestic private property market recently. Nonetheless, Singapore banks' exposure to the property sector remains within regulatory limits and their loan exposures overall continue to be well-diversified.

The profitability of the banking sector improved in the second half of 2009 with year-on-year earnings turning positive in the third quarter of 2009. This resilience in earnings was due to a stable source of net interest income and robust trading and fee income alongside more recent improvements in market sentiment.

The gross loan-to-deposit ratio of the banking system remains healthy at 86% (as of September 2009) even as loan books have expanded. Given the banking system's stable and relatively cheap deposit funding base, net interest margins have stayed above 2% throughout the economic downturn (source: MAS Financial Stability Review, November 2009).

Basel II took effect in Singapore on 1 January 2008, marking a milestone in MAS' efforts to implement a more risk-sensitive capital framework for banks incorporated in Singapore. The local banks in Singapore have a strong capital basis, with the Tier 1 capital ratio averaging 13.5% at the end of September 2009. This is well above the MAS' minimum requirement of 6%. At the end of September 2009, the aggregate regulatory capital to risk-weighted assets ratio for the local banks in Singapore stood at 16.5% (as compared to 14.3% at the end of September 2008) and the shareholders' funds to total assets ratio stood at 10.5% (as compared to 8.5% at the end of September 2008) (source: MAS Financial Stability Review, November 2009).

Malaysia

Since the regional crisis in the period 1997 and 1998, the Malaysian banking sector has undergone significant consolidation. By January 2003, the central bank, Bank Negara Malaysia, had concentrated Malaysia's 58 domestic banking institutions into ten "anchor banks", or consolidated groups of domestically owned banks. Anchor banks were required to have minimum shareholders' funds of RM2 billion and assets of at least RM25 billion; foreign-owned banking institutions were also required to increase capital funds to RM300m. The number of "anchor banks" reduced to nine in 2006 when Southern Bank, Malaysia's second smallest bank at the time, agreed to a takeover offer from Bumiputra-Commerce Holdings.

According to Bank Negara Malaysia, in Malaysia there are 23 commercial banks (nine with local ownership, 14 with foreign ownership) and 17 Islamic banks (11 with local ownership, six with foreign ownership).

The aggregate loans, deposits and assets of all the domestic banking units in Malaysia, as at February 2010, is summarised in the table below:

February 2010, RMbn	*Loans*	*Deposits*	*Total Assets*
Domestic banks	654	818	1,079
Foreign banks	142	196	277
Total	**796**	**1,014**	**1,356**

(Source: Bank Negara Malaysia, Monthly Statistical Bulletin, February 2010)

Domestic commercial banks: The leading local banking groups in Malaysia are Malayan Banking (Maybank), Bumiputra-Commerce Holdings (CIMB Bank), Public Banking Group, RHB Capital Group and Ambank Group.

Foreign banks: Foreign banks in Malaysia are authorised to engage in a full range of commercial banking activities, including retail deposit-taking. Despite restrictions and increased competition from domestic banks, foreign banks maintain a significant presence in the commercial banking sector. The total value of the assets of all foreign banks in Malaysia stood at RM277 billion as at February 2010, representing 20% of the total assets of all banking institutions in Malaysia. The 13 foreign-controlled banks are locally incorporated because, under the Banking and Financial Institutions Act 1989, they had to place their operations under a Malaysian corporation with a local board of directors answerable to Bank Negara Malaysia. Under the legislation, the foreign parent was permitted to maintain 100% equity ownership but, in order to secure domestic status and be allowed to open further branches, at least 51% of its equity needed to be divested to local partners. In addition, there are 24 foreign banks maintaining representative offices in Malaysia that are prohibited from conducting normal banking business but are permitted to engage in liaison services (source: EIU Country finance report, Malaysia, December 2009).

Islamic banking: The total value of the assets of Islamic banks in Malaysia stood at RM233 billion as at February 2010, representing 17% of total assets of all banking institutions in Malaysia (source: Monthly Statistical Bulletin, February 2010). All local banks, the five largest foreign banks and most investment banks offer Islamic banking services.

Bank Negara Malaysia oversees and sets guidelines for banks, insurance companies and other financial institutions; monitors liquidity; issues government securities; formulates exchange-control guidelines; manages foreign reserves; and controls statutory reserve requirements and payment systems.

Recent trends and performance

As of November 2009 Malaysia's financial institutions had weathered the volatility in the global financial markets. They had negligible exposure to both sub-prime related securities and to the affected financial institutions of other countries. More than 90% of total assets of banks and insurance companies are in local denominated assets. The strong capital positions of banks, coupled with ample liquidity in the financial system, provided a buffer against the global downturn. The levels of non-performing loans held by commercial banks actually declined in the first three quarters of 2009 (source: EIU, Country finance report, Malaysia, December 2009).

The well-contained consumer loan quality is underpinned by an improved labour market, with the unemployment rate easing to 3.6% in the second quarter of 2009, partly driven by the fiscal response, which created additional jobs in the public sector. Also, low interest rates helped alleviate consumers' debt servicing burden. With these mitigating factors likely to continue into 2010, and amid a tentative economic recovery, consumer-related delinquencies are likely to remain manageable (source: Fitch).

The average return on assets of the Malaysian banks was around 0.9% in 2009, down from 1.11% in 2008. However, excluding one-off write downs, the estimated return on assets for 2009 is 1.06% which would be comparable with the 2008 results. This was despite the moderate rise in credit costs, which was offset by higher treasury income amid low interest rates in Malaysia (source: Fitch).

In Malaysia, the standardised approach under the revised capital framework for conventional banks (Basel II) and the Capital Adequacy Framework for Islamic banks, came into effect on 1 January

2008. The Malaysian banking system's capitalisation remains strong and at the end of February 2010, the risk-weighted capital ratio and the core capital ratio for the banking system (including Islamic banks) stood at 15.1% and 13.5% respectively (source: Bank Negara Malaysia, Monetary and Financial Developments February 2010).

South Korea

In the early 1990s the financial sector in South Korea underwent a degree of liberalisation. However, following a number of large corporate insolvencies in 1997 and the consequent rapid build-up of financial institutions' bad loans, significant measures were implemented to address the situation. In 1998 five banks whose capital adequacy ratios were below the 8% BIS guideline were forced to exit the market. Nine banks merged to form four banks in 1999, and two merged to form one bank in 2000. Eight banks were also nationalised through a recapitalisation by the government.

In South Korea commercial banks have adopted a branch banking system with a nationwide, or province-wide, network. As per the Bank of Korea (the "BOK"), the total number of domestic branches of commercial banks, as at June 2008, was about 4,900. As of the end of December 2008, commercial banks consisted of:

Nationwide commercial banks: Seven nationwide commercial banks, operating a branch banking system throughout the country and handling long-term financing in addition to short-term financing. The nationwide commercial banks operating in South Korea are: Woori Bank, SCFB (formerly Korea First Bank), Hana Bank, Korea Exchange Bank, Shinhan Bank, Citi Bank Korea and Kookmin Bank. Nationwide commercial banks held assets amounting to a total of approximately 983.0 trillion Won as of the end of June 2008, representing a 90.7% share in the total assets of commercial banks. As per the Financial Supervisory Service ("FSS"), the number of domestic branches of nationwide commercial banks totalled 4,302 as of December 2008.

Local/Regional banks: Six local banks operate branch banking systems within their province. Their business is oriented to regional SMEs. The local banks operating in South Korea are: Daegu Bank, Pusan Bank, Kwangju Bank, Jeju Bank, Jeonbuk Bank and Kyongnam Bank. The financial structure of local banks is largely similar to that of the nationwide commercial banks, but their reliance on domestic currency deposits and securities investment is higher. As per the FSS, the number of domestic branches of regional banks totalled 745 as of December 2008.

Foreign bank branches: 38 foreign bank branches with wholesale banking and recently strengthened retail banking activities. Foreign bank branches now carry on their business under almost identical conditions to South Korean banks as preferential treatment and discriminatory business regulations have been reduced. Other foreign banks with a presence in South Korea include HSBC (UK), JPMorgan Chase (US) and UBS (Switzerland). Since 1998, established foreign banks have been able to set up subsidiaries in the country under the Korean Bank Act.

Specialised banks

At the end of December 2008, there were five specialised banks. The specialised banks which were established to provide funds to particular sectors experienced insufficient funding from commercial banks due to limited availability or low profitability. With subsequent changes in the financial environment, however, the specialised banks have expanded their business into commercial banking areas, although their share of funds allocated to their relevant sectors is still relatively high. At present most specialised banks have, by and large, the same pattern of business as commercial banks; they rely heavily on deposits from the public for their sources of funds in addition to the issue of debentures and borrowing from the government. Therefore, specialised banks compete with commercial banks in acquiring deposits.

The Financial Supervisory Commission (the "FSC") is the body in charge of making policy decisions for the financial services industry. The FSC authorises the establishment and closure of financial institutions and defines its role as a controller rather than a supervisor. The central bank, the BOK, continues to act as the bank for commercial banks and the government, but its banking supervisory functions were handed over to the FSC in 1998. The BOK is now only responsible for controlling inflation and executing monetary and credit policy.

The operating environment for South Korean banks has been improving rapidly as it has recovered from the global financial crisis. Domestic commercial banks' loan-to-deposit ratio (including certificate of deposits (CDs)) has been improving since July 2008. Bank deposits have been on a steady rise, while banks are relying less on CDs and bonds for funding (source: Korea Financial Supervisory Service 2009).

The return on assets for the South Korean banking system was estimated at 0.4% in 2009, however, this is expected to improve due to a substantial improvement in NIM (2.16% in 2009) and stabilising credit costs (source: Fitch).

The pressure from the regulators to bring down the high loan/deposit ratio to below 100% should be negative for NIM but may be offset by higher credit spreads as competition for loans will be dampened, as well as the effect of rate increases. The recent financial crisis have led banks to charge borrowers wider spreads, particularly household customers, due to the strong pressure from the authorities to support small and medium-sized enterprises (SMEs) by extending credits (source: Fitch).

As per the Bank of Korea, at the end of June 2009, the BIS capital adequacy ratio of Korean commercial banks stood at 14.25% (Basel II basis), up 1.53 percentage points from 12.72% at the end of 2008. The aggregate Tier 1 capital ratio of the Korean commercial banks stood at 10.50% at the end of June 2009, as compared to 9.01% at the end of December 2008. At the end of June 2009, Korean commercial banks' share in total capital, although at approximately the same level as the corresponding figure among the world's top 30 banks, remained low compared to those of US commercial banks, whose capital increases have been driven mainly by preferred share issuance using public funds (source: The Bank of Korea Financial Stability Report, November 2009).

Other Asia Pacific

In the Other Asia Pacific region, Standard Chartered has offices in Australia, Brunei, China, Indonesia, Japan, Mauritius, the Philippines, Taiwan, Thailand and Vietnam.

In these markets, the external environment for the banking sector was challenging in 2008 due to weak domestic demand, falling exports and subdued equity markets. However, since the start of 2009, the recovery for Asian economies and banks has been rapid, resulting in much better than expected results for 2009 and for most of the region's banks, generally positive trends going into 2010. The expected sharp deterioration in bank asset quality arising from the global recession did not materialise as the rebound in Asian economies limited the deterioration in asset quality to moderate and manageable levels. As a result, Asian banks remained generally resilient in 2009. Government guarantees for banks have helped maintain depositor confidence and bank fund-raising efforts (source: Fitch).

Middle East and Other South Asia

In the Middle East region Standard Chartered has offices in Bahrain, Egypt, Jordan, Lebanon, Oman, Qatar and the UAE. In the Other South Asia region, Standard Chartered has offices in Afghanistan, Bangladesh, Kazakhstan, Nepal, Pakistan and Sri Lanka.

The financial standing of banks in the Gulf Cooperation Council (comprising Saudi Arabia, Kuwait, Bahrain, Qatar, UAE, and Oman) as a group remains under pressure despite recent signs of recovery in their respective national economies. Lower business volumes, asset quality deterioration and subsequent provisioning needs, and pressure on liquidity appear to be affecting the creditworthiness of banks to differing degrees. However, most commercial banks in the Gulf entered this tougher environment from a position of relative strength due to their good financial profiles, especially regarding their earnings generation capacities and capitalisation, and support from local governments.

Africa

In the Africa region Standard Chartered has offices in Angola, Botswana, Cameroon, Côte d'Ivoire, Ghana, Kenya, Nigeria, Sierra Leone, South Africa, Tanzania, Gambia, Uganda, Zambia and Zimbabwe.

The business environment in these regions has been impacted by the effects of the global credit crisis and reduced capital inflows into these regions. This has slowed down the growth of the local banking sector, although its levels of market penetration are expected to continue to catch up with the levels of more advanced economies.

Americas, UK and Europe

In Europe Standard Chartered has offices in Austria, France, Germany, Guernsey, Ireland, Italy, Jersey, Luxembourg, Monaco, Poland, Romania, Russia, Spain, Sweden, Switzerland, Turkey, the UK and the Ukraine.

In the Americas region Standard Chartered has offices in Argentina, Bahamas, Brazil, Canada, Cayman Islands, Chile, Colombia, Falkland Islands, Mexico, Peru, United States, Uruguay and Venezuela.

Across the Americas, the UK and Europe, Standard Chartered competes with a large range of institutions. These markets are highly competitive and characterised by rapid innovation. Regulators monitor the financial services sector closely and conduct reviews into the long-term prospects of the banking sector. Legislators continue to introduce legislation with the aim of improving competition and protecting consumers and promoting financial stability. Further changes and a strengthening of the regulatory environment are expected following the on-going financial market turmoil and economic crisis. In particular, the banking sectors of Europe and the United States have been most impacted by the financial crisis whereas the banking sector of Latin American countries has shown more resilience.

Legislators and regulators have taken several steps to alleviate the banking crisis that has hurt the financial performance of local banks.

On 8 October 2008, the UK Government, the Bank of England and the FSA (the "Tripartite Authorities") announced that they would implement a comprehensive £500 billion plan to support the UK banking system. The plan addressed both the issues of capital and liquidity together. Additional measures were introduced by the UK in 2009 including an extended drawdown window for new debt under the credit guarantee scheme, a new guarantee facility for ABS, a Bank of England facility for purchasing high quality assets, capital protection through an asset protection scheme covering future credit losses on certain assets for banks, and an extended maturity date for the Bank of England's discount window facility.

Both the Basel Committee on Banking Supervision and the European Commission have proposed improvements to the regulatory regime as a result of the financial crisis. The first set of amendments to the EU Capital Requirements Directive (the "CRD") was adopted in September 2009 and is required to be implemented in Member States by 31 December 2010. The amendments will:

- Tighten the limits on large exposures, in particular through placing limits on inter-bank loans.
- Adopt harmonised rules on the eligibility of Tier 1 hybrids as regulatory capital.
- Improve the supervision of cross-border groups through the reinforcement of colleges of regulators for banking groups operating in more than one Member State. Bank liquidity will be considered and co-ordinated through such colleges.
- Improve the framework for securitisation. Banks and investment firms regulated in the EEA will only be able to invest in securitisation positions if the originator, sponsor or original lender (which may or may not be regulated) has retained a 5% economic exposure ("skin in the game").

On 13 July 2009 the Commission proposed further changes in respect of trading book capital, re-securitisations and the supervisory review of remuneration policies (CRD III). These proposals were foreshadowed in a June 2009 Commission communication and are intended to be consistent with proposals made by the Basel Committee in 2009 to improve Basel II. The following changes will be made to the capital requirements for banks' trading book:

- An additional capital buffer will be introduced based on stressed VaR to the ordinary VaR figure for banks using their own internal models to determine capital charges for market risks.
- Extending the existing charge for default risk in the trading book to capture losses short of issuer default, e.g. rating downgrades.
- Basing the charge for securitisation positions in the trading book on the existing risk weights for the banking book.
- These changes are expected to roughly double the capital requirements for banks' trading books.

In line with proposals made by the Basel Committee, resecuritisation positions will be assigned a higher capital requirement than other securitisation positions to reflect the higher risk of unexpected impairment losses.

The FSA published proposals in CP 09/29 Strengthening Capital Standards 3 to implement these changes together with those required by EU Directive 2009/111/EC by 31st December 2010.

Authorised firms will be required to have remuneration policies that are aligned with effective risk management. The relevant principles will be set out in further revisions to the CRD, but will be closely aligned with those set out in a Commission recommendation on remuneration policies. Remuneration will also be brought within the scope of supervisory review, and supervisors will be able to require a firm to take measures to rectify any problems that they identify. The Walker Review contained proposals in this respect, further details of which are given on page 440 of this Red Herring Prospectus.

On 26 February 2010 the Commission published a working document on further changes to the CRD (CRD IV). This document proposes to implement proposals published for consultation by the Basel Committee in December 2009. CRD IV aims to:

- Improve the quality and quantity of capital through new harmonised requirements for core Tier 1 capital, non-core Tier 1 capital and Tier 2 capital.
- Abolish innovative Tier 1 capital and Tier 3 capital. Tier 2 capital will be simplified based on the requirements for lower Tier 2 capital (but without allowing any incentive to redeem).
- Establish a harmonised treatment for deductions from capital (regulatory adjustments) with most deductions being made from common equity.
- Introduce new requirements to address counterparty credit risk on derivatives, repos and securities financing transactions.
- Introduce a leverage ratio for banks as a backstop to the Basel II risk-based framework.
- Promote the building up of capital buffers in good times that can be drawn down in periods of stress.
- Address the risks posed by financial institutions that are systemically important.

The Basel Committee on Banking Supervision is currently consulting on key design features of some of these reforms which will reflect the findings of the Quantitative Impact Study (QIS) being conducted by Basel Committee in the first half of 2010.

The Commission is also proposing the elimination of many national discretions under the CRD.

Neither CRD IV, nor the Basel proposals on which they are based, include a calibration. It is accordingly not possible to assess the impact on the Group of an implementation of these proposals.

In January 2009 the FSA published a statement on regulatory capital announcing as a supervisory framework that banks (including Standard Chartered Bank) will be expected to hold post-stress Tier 1 capital of 6-7% while meeting a minimum core Tier 1 ratio of 4%.

In December 2009, the Basel Committee on Banking Supervision approved for consultation a package of proposals to strengthen global liquidity regulations with the goal of promoting a more resilient banking sector.

BUSINESS

INTRODUCTION

The Company operates through a number of subsidiaries including SCB, one of the leading international banking and financial services company. SCB particularly focuses on the markets of Asia, Africa and the Middle East. The Company has no significant operations or assets other than its 100% interest in SCB. As at 31 December 2009, the Group operates in approximately 1,700 branches and outlets in more than 70 countries. As at 31 December 2009, the Group employed over 75,000 employees worldwide. The Group has significant operations in the Asia region, which accounted for over 75% of its US$5,151 million total profit before taxation for the year ended 31 December 2009. At 31 December 2009, the Company had total consolidated assets of US$437 billion, total consolidated customer loans and advances of US$198,292 million, total consolidated customer deposits of US$251,244 million and total parent company shareholders' equity (excluding minority interests) of US$27,340 million. Standard Chartered's total capital ratio as at 31 December 2009 was 16.5% and its Tier 1 capital ratio was 11.5%.

The Company is headquartered in the UK where it is regulated by the FSA. The Group's head office provides guidance on governance and regulatory standards across the Group's network. Standard Chartered operates two business divisions, Consumer Banking and Wholesale Banking, which are described below. For the year ended 31 December 2009, Consumer Banking and Wholesale Banking contributed 17% and 79% respectively, of Standard Chartered's operating profit before taxation and impairment.

The Company was incorporated in 1969 pursuant to a merger of The Chartered Bank and The Standard Bank Limited. Both banks were established in the mid-nineteenth century and their origins lie in financing trade in the emerging markets of Asia and Africa. The Chartered Bank opened its first branches in Mumbai, Kolkata and Shanghai in 1858, followed by Hong Kong in 1859 and was given a licence to issue Hong Kong bank notes in 1862. The Company's Shares and preference shares are listed on the Official List and traded on the London Stock Exchange. The Company's Shares are listed on the premium segment of the Official List and the Company's Preference Shares are listed on the standard segment of the Official List. The Company's Shares are also listed and traded on the Hong Kong Stock Exchange.

Information on the Company, including its annual reports and accounts, can be found at its website, www.standardchartered.com.

STRENGTHS AND STRATEGY

Strengths

Longstanding presence in growth markets

The Group has had a presence in many of its key geographies for a significant amount of time, stretching back to the first branches being opened in India and China in 1858. As a result, the Group has built deep and longstanding relationships with its customer base and has an extensive distribution network.

Wide ranging products and services

Given its global capabilities and local knowledge, the Group develops products and services which meet the diverse and ever-changing needs of individual, corporate and institutional customers in some of the world's most exciting and dynamic markets within Asia, Africa and the Middle East. During 2008/2009, the Group:

- commenced execution of its new Consumer Banking strategy which includes accelerating the shift to a customer centric business; introducing a new participation model by market and standardising processes;
- strengthened Private Banking with the integration of AEB;
- completed the acquisition of Asia Trust in Taiwan, thereby adding seven branch licences in Taiwan;
- expanded its Financial Markets and Corporate Finance businesses;
- completed the acquisition of Cazenove Asia in Hong Kong (subsequently renamed Standard Chartered Securities (Hong Kong) Limited;
- expanded Saadiq Berhad in Malaysia to introduce a full range of Islamic services;

- became the first bank to open onshore trade settlement accounts for offshore companies under the RMB cross border trade settlement pilot scheme; and
- strengthened its presence in the Middle East region by opening the Middle East's largest trading floor in the DIFC.

Retaining and developing talent

The Group has been successful in supporting its growth due to its ability to attract, engage and develop international talent across its markets. The Group had over 75,000 employees as at 31 December 2009, and it continues to step up recruitment to support its business growth. The Group believes that its "strengths-based" philosophy is one of the cornerstones of its approach to talent management. By identifying and leveraging an employee's talents into strengths, and then creating the environment in which these strengths can flourish, the Group enables its employees to do what they do best, every day. The Group's approach towards rewarding employees is closely aligned to performance.

The Group's size and reach facilitate exposure to international banking standards and work experience by providing employees with opportunities to travel, interact and learn from other cultures. Nearly half of the employees are women, and almost 70 nationalities are represented among the senior management, reflecting the Group's policy of providing equal opportunity for all employees. The current turmoil in the global financial markets has provided Standard Chartered with good opportunities to hire talented people.

Strong track record of strategic acquisitions

The Group has a track record of strategic acquisitions to create shareholder value with the following objectives:

- to overcome obstacles to organic growth: for example, in 2005, the Group acquired Korea First Bank to grow in the South Korean market. Similarly, Hsinchu International Bank and Permata Bank were acquired to strengthen its position in Taiwan and Indonesia, respectively;
- to build local scale: in 2006 the Group acquired Union Bank of Pakistan and became the sixth largest bank in Pakistan in terms of profits. It has also acquired Nakornthon Bank (Thailand), Asia Trust and Investment Corp (Taiwan), ANZ Grindlays Bank (Middle East and South Asian businesses) and Yeahreum Mutual Savings Bank (Korea) to enhance scale;
- to acquire capabilities: the Group acquired Pembroke (an aircraft leasing, financing and management company) and Harrison Lovegrove (an oil and gas advisory company) which will add specialist capabilities. Also, it acquired AEB to expand the Private Banking network and Transaction Banking capabilities. Cazenove Asia Limited, a leading Asian equity capital markets, corporate finance and institutional brokerage was acquired to help bolster offerings in equity capital markets. Other acquisitions included Asia Trust and Investment Corporation in Taiwan, and A Brain (Korean fund administration company); and
- to create options for future growth: in 2005 the Group invested in Travelex to support organic growth of its franchise in SME and retail foreign exchange products in Asia, and on SME business and trade products in the Middle East. The investments in Fleming Family and Partners and China Bohai Bank Co. Ltd have helped the Group to position itself advantageously in the fast-growing Wealth Management market for ultra-high net worth individuals and the Chinese market, respectively.

The Group has a track record of acquisition integration to render successful effective inorganic growth.

Risk Management

Standard Chartered has a defined risk appetite which is approved by the Board. This plays a central role in the development of the Company's strategic plans and policy. The Group's proactive approach to risk management, and steps taken early on in the current economic crisis to reshape the Company's portfolios and tighten underwriting standards helped to mitigate the impact of market turbulence on the Company's performance. Throughout 2009, the Company's balance sheet and liquidity position remained strong, and the Company is well positioned to address further challenges and potential economic weakness in 2010. For a further discussion of its risk management practice, please refer to "*Risk Management*" later in this section on page 109 of this Red Herring Prospectus.

Identifying organic growth opportunities

The Group has been able to identify growth opportunities and has committed resources to capitalise on those opportunities. The strategic aim for Consumer Banking is to become the world's best international consumer bank in each of the Group's chosen markets and customer segments across Asia, Africa and the Middle East. Some of the priorities are set out below:

- consistently deliver superior service by providing financial solutions which meet the Company's customers' evolving needs, empowering and engaging the Company's employees and making a difference in the Company's communities;
- differentiate with standardised systems and processes and through targeted marketing and stronger analytical capabilities; and
- 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.

Wholesale Banking has invested in people and products and has broadened its geographic and product coverage. Some key initiatives in the Wholesale Banking segment were:

- the focus of investments on the Group's major engines of growth such as Hong Kong, India and Singapore;
- the significant strengthening of the Group's presence in the UAE to further support growing client demand in the region;
- the investment in building the Group's Equity Derivatives, Commodity Derivatives, Convertibles and Principal Finance businesses; and
- the establishment of the Wholesale Banking Sustainable Business Council to commercialise environmental opportunities.

Strategy

Standard Chartered's strategic intent is to be one of the world's best international banks, leading the way in Asia, Africa and the Middle East.

Sustaining organic momentum as a priority, with growth supplemented through selective acquisitions

The core of the Group's strategy is to grow organically, supplemented by selective acquisitions and alliances.

Continuously improving the way the Group works

The Group strives to become operationally excellent by embedding a culture of continuous improvement. By doing this, it aims to provide its customers with quality service, make life easier for its staff and customers and create capacity to enable the Group to grow on a sustained basis.

The Group also focuses on other important aspects of improving the way it works, such as its culture, its values and the way people interact with each other and with the Group's customers. Its culture and values allow the Group to collaborate across borders and across businesses, attract new personnel, keep personnel in the Group and attract clients.

Building the Group's leadership

Attracting and retaining the best talent, driving performance and engagement and building leadership capability are critical priorities for the Group. Standard Chartered's brand promise, 'Leading by Example to be The Right Partner', means living the Group's core values. Its five values – Creative, Responsive, International, Courageous and Trustworthy – form the basis of how it keeps its employees engaged with its strategic business objectives.

Reinforcing the brand

The Group recognises that how it continues to build its brand will have an impact on shareholder value. The Group wants to build its brand at the pace it is growing the business. A big part of brand building is the Group's commitment to live the brand and its culture and values in everything it does. The Group continues to embed its brand promise, 'Leading by Example to be The Right Partner' in its markets, and into its business agenda.

Consumer Banking

Consumer Banking went through a year of significant change and transformation in 2008. Despite a challenging economic environment the business continued to invest in Consumer Banking to grow the franchise. Certain key priorities for the Consumer Banking segment are set out below:

- continue to implement the Company's new customer-focused transformation designed to drive sustainable competitive advantage;
- continue implementation of country models;
- deepen customer relationships by delivering on the Company's Customer Charter;
- roll out new customer value propositions for all segments;
- deliver strong asset and deposit growth;
- further enhance efficiencies and productivity through re-engineering projects; and
- maintain disciplined risk, cost and performance management.

Wholesale Banking

Wholesale Banking's strategic aim is to be the core bank to each of its clients. The focus of the business is on building a client-driven franchise, being the leading international banks of choice in Asia, Africa and the Middle East, and leveraging its in-depth local knowledge and extensive cross-border network, providing clients with a broader range of solutions and services, servicing local and and financial institutions doing business for and in Asia, Africa, and the Middle East. Certain key priorities for Wholesale Banking are set out below:

- grow product capabilities in the Company's core businesses and scale in key local markets;
- strengthen and deepen relationships to become a core bank to key clients;
- increase cross-border opportunities across our international network;
- expand its product sophistication and provide increasingly strategic and value-added capabilities to clients;
- invest to increase industry coverage and grow the Company's solution delivery capabilities;
- maintain disciplined management of costs, capital, liquidity and risk; and
- continue to remain true to the Company's values and culture.

BUSINESS DIVISIONS

Consumer Banking

Consumer Banking products and services include banking services, deposit-taking services, credit cards, personal loans, mortgages, auto finance and Wealth Management services. Major markets include Hong Kong, Singapore, Malaysia, Indonesia, Korea, Pakistan, India, Taiwan and the UAE. Principal customers of the Consumer Banking business are individuals in Asia, Africa and the Middle East. In addition to serving individuals, Consumer Banking also offers a range of deposit-taking, trade, lending and other banking services to SMEs in its key Asian markets. The Group provides products and services to its Consumer Banking customers through its branches, direct sales force and via online banking.

The Group had approximately 1,700 branches and outlets located in over 70 countries as at 31 December 2009. These are a key part of the distribution network for its Consumer Banking business.

Consumer Banking provides products and services to over 14 million customers, including individuals and SMEs in Asia, Africa and the Middle East. In 2007, Consumer Banking launched Standard Chartered Private Bank to serve the growing demand for more specialised products and services tailored for high net worth individuals in the Group's markets. Standard Chartered Private Bank has a broad geographic footprint with offices spreading across 29 locations.

Products and services offered by Standard Chartered Private Bank include:

- cash and cash alternatives, i.e. balance sheet deposits in several currencies, fiduciary deposits, liquidity funds, capital guaranteed products and FDIC-insured certificates of deposit;
- structured products giving exposure to currency, interest rate, bond, commodity, fund and equity markets which increase yields or protect against market volatility;

- client-directed mutual fund portfolios which allow clients to construct their own portfolio of mutual funds from a hand-picked group of some of the most well-known mutual fund providers in the world;
- discretionary portfolios where professional managers handle the asset allocation and investment selection;
- signature portfolios which offer a choice of geographic focus and fixed income, equity or balanced orientation and are managed by investment managers chosen from the best in the business;
- insurance including life insurance, insurance owned by fiduciary structure and insurance premium financing;
- credit facilities; and
- collateralised trading programmes.

Product Mix

Cards and Personal Loans

The Group charges fees for the use of its cards and earns interest on outstanding balances from its card customers and commissions from merchants for transactions processed. It has focused on growing both card volumes and balances. The Group had approximately 6.3 million cards in issue at 31 December 2009, compared with approximately 6.6 million cards in issue at the end of 2008. Standard Chartered is a member of the VISA International and MasterCard International organisations. Standard Chartered operates as a card issuer in India, with approximately 1.1 million cards in issue in India as of 31 December 2009.

Personal loans include loans to individuals for purposes such as education and purchasing of consumer goods. It has launched a range of innovative loan products. Personal loans are typically unsecured, granted at floating rate and either repayable by instalments or on a revolving basis.

Wealth Management and Deposits

Wealth Management offers an integrated approach for customers to protect, manage and grow their wealth. It offers a wide range of products including structured products, deposits, investments, mutual funds, treasury products and bancassurance to all customer segments including private banking.

The Group is an independent distributor of third-party mutual funds in Asia. Leveraging off its global model, the Group seeks to obtain a wide range of best-of-breed products for its customers at competitive rates.

The Group also offers priority banking services especially tailored to meet the Wealth Management needs of more affluent customers. Priority banking customers have access to the Group's services through over 235 priority banking centres in 21 countries.

SCB has recently shown a strong growth track record in consumer deposits which grew by 12% for the period 30 June 2008 until 31 December 2009. The bank has also focused on driving new transactional propositions to capture a greater share of customer deposits. As at 31 December 2009, the bank had over 14 million customers and about 4 million registered internet users. Online banking is available in 29 markets and mobile banking in 30 countries.

Mortgages and Auto Finance

At 31 December 2009, residential mortgages represented 29% of Standard Chartered's total loans and advances to customers or 61% of Standard Chartered's retail loans and advances to customers. As at 31 December 2009 India contributed 3% of the mortgage business.

Standard Chartered also provides auto financing in a number of locations across its footprint.

Wholesale Banking

With business operations located in Singapore and a delivery footprint that spans its network, Standard Chartered's Wholesale Banking business provides corporate and institutional clients with trade finance, cash management, securities services, foreign exchange and risk management, capital raising, corporate and principal finance solutions. Building on a history of over 150 years in some of the world's most dynamic markets, Wholesale Banking is a client-centred business that bases its strategy on client need and deepening relationships with clients. Wholesale Banking is growing at a strong rate and is focusing on being the core bank to its clients (within the top three providers). The business is adding to its product suite and strategic capabilities and has made a series of recent strategic niche acquisitions to support these aims. The Group has strong cross-border capabilities and is well positioned to capitalise on international trade flows as a result of its broad geographical footprint. The Group works with local and global corporates looking to expand across its footprint, and corporates and financial institutions eager to further penetrate its markets from OECD countries.

Wholesale Banking customers include multinational and large local corporations, banks, other financial institutions and medium-sized local companies.

Product Mix

Transaction Banking

The Group is a global leader in the provision of transaction banking services. It provides basic lending services, as well as a full suite of trade finance, securities services and cash management products and services. The Group believes that it has market-leading positions in cash management, sub-custody and dollar clearing. Transaction banking accounts for a significant portion of Wholesale Banking's overall client revenue and is a fundamental service for many corporate and financial institution clients. Straight2Bank, a premier online trading platform for FX, trade, cash and securities services was launched in 2007.

Trade-related services offered by the Group include letters of credit, short-term trade loans, factoring and invoice discounting, insurance and document preparation services. Standard Chartered provides a range of lending facilities for both trade-related and non-trade-related activities.

In cash management, the Group offers domestic cash management products that assist companies with their payments and receivables processing and liquidity management.

Custody services include securities settlement, safekeeping of securities, monitoring and action of corporate events, proxy voting, fund valuation and administration services, and provision of market information. This provides clients with customised solutions using a uniform processing system across Standard Chartered's Asian network.

Financial Markets

Financial Markets at Standard Chartered is a globally integrated business spanning Asia, Africa, the Middle East, the UK and US. Financial Markets includes trading functions such as equities, commodities, fixed income trading (rate, foreign exchange and credit), the Group's capital markets business and structured products. Standard Chartered acts both as arranger and participant in syndicated loans and in the fixed income market. The Group's capital markets business, comprising Fixed Income, Asset Securitisation and Loan Syndications, consistently dominates league tables and rankings in markets core to the Group's footprint. In Asia, the Group was rated top bookrunner of all Asian currency bonds excluding Japan, Australia and China (source: Thomson Reuters 2008) and top Asian mandated arranger for all international currency syndicated and club loans excluding Australia and Japan (source: Basis Point 2008). The Group has a strong offering in Islamic financing and cross-border issuance capabilities. The Group was ranked number one in Currency Derivatives (source: AsiaRisk Corporate End-user Survey 2008-2009) and ranked number one in Interest Rate Derivatives in Asia (source: AsiaRisk Corporate End-user Survey 2009). The Group is a major participant in the global rates and FX markets, actively trading in over 100 onshore and offshore currencies. The Group is a market leader in the provision of emerging markets liquidity and has pioneered the development of new FX Options markets and products. The Group was also rated first for Overall FX Services for corporates in India (source: AsiaMoney Polls 2008).

Consistent with its strategic focus, Standard Chartered does not undertake major proprietary derivative trading activities. The Group focuses its activities on facilitating and supporting customer transactions. The VaR figures resulting from such activities form part of the total VaR figures shown in the Group's financial statements. The total average daily VaR for the Group for the half year ended 31 December 2009 was US$38.9 million. A description of the VaR methodology and the quantification of risk is set out in the paragraph headed *''Value at Risk''* in the section headed *''Risk Management''* on page 116 of this Red Herring Prospectus.

Corporate Finance

The Corporate Finance business at the Group has shown growth in recent years. It is one of the key focal points for the Wholesale Banking strategy of adding sophisticated product and service capability and as such, accounts for an increasing proportion of the Company's overall business. Corporate Finance offers corporate advisory services focusing on mergers and acquisitions advisory services and leveraged finance. The Group has a corporate advisory team with a pool of professionals across its network. Corporate Finance also offers structured finance, project and export finance and structured trade finance services to a broad range of clients. The Group has a dedicated renewable energy capability. The Group has won widespread industry recognition for innovative deal-making across its footprint. The Group continues to add niche capability, through a series of targeted acquisitions in strategic sectors, as well as by building organically.

Principal Finance

Standard Chartered's Principal Finance business focuses on corporate private equity, infrastructure and real estate (through a dedicated fund in each area) and alternative investments. The focus in private equity is on investing in mid-to-late stage companies and management buy-outs and focuses on companies across the Standard Chartered footprint.

The Alternative Investment Group focuses on delivery of solutions for distressed and high yield assets and companies, and invests in senior debt, mezzanine and equity instruments.

GEOGRAPHIC MARKETS

Hong Kong

Standard Chartered Bank (Hong Kong) Limited is one of the country's leading financial institutions providing Consumer Banking and Wholesale Banking services with over 77 branch outlets, 223 ATMs and as at 31 December 2009 employed over 5,000 employees.

In Hong Kong, Consumer Banking provides credit cards, personal loans, mortgages, deposit-taking and Wealth Management services to individuals and SMEs. Wholesale Banking provides corporate and institutional clients with services in trade finance, commodity trade finance, cash management, lending, custody, foreign exchange, debt capital markets and corporate finance.

The Group has been issuing bank notes in Hong Kong since 1862. The Group's Hong Kong business was locally incorporated on 1 July 2004 to take advantage of the Closer Economic Partnership Agreement opportunities as Hong Kong plays an increasing role as a platform for growth in greater China.

The Hong Kong market reinforced its position in 2007 as Standard Chartered's biggest market by becoming the first market in the Group to report profit before tax of more than US$1 billion. Consumer Banking in Hong Kong in 2007, the Group's biggest single source of income, achieved double-digit income growth (of 28%) for the first time in seven years on rising revenues from Wealth Management and SMEs. Wholesale Banking saw broad-based contributions from across client groups and products.

For the year ended 31 December 2008, Hong Kong-based activities contributed US$2,255 million operating income and US$989 million profit before tax to the Group. For the year ended 31 December 2009, Hong Kong activities contributed US$2,370 million operating income and US$1,062 million profit before tax to the Group.

The Group is one of the largest credit card issuers in Hong Kong, with more than 10% of the market share based on the number of cards issued and more than 11% of the card-related outstanding balances as at 31 December 2009.

Residential mortgages are an important part of Standard Chartered's business in Hong Kong. Standard Chartered is a leader in new home mortgage lending. Standard Chartered has a material share in the new mortgage loan market and its mortgage portfolio in Hong Kong grew 14% since 31 December 2008 to US$14.8 billion as at 31 December 2009.

Standard Chartered Bank (Hong Kong) Limited acquired 100% of the share capital of Cazenove Asia Limited on 30 January 2009.

India

Standard Chartered Bank, Mumbai, which operates as a branch of a subsidiary of the Company is one of the country's largest foreign banks, in terms of branch network, with over 90 branches in 37 cities. As at 31 December 2009 Standard Chartered India had approximately 17,500 employees accounting for over 20% of the Group's headcount. The Company has had a presence in India since 1858.

In India, Consumer Banking offers a wide range of personal banking products and services including credit cards, mortgages, personal loans, Wealth Management products and business finance solutions for SMEs. Wholesale Banking provides a wide range of traditional as well as structured banking products to corporate and institutional clients with services in comprehensive trade finance, supply and dealer chain financing, cash management services, securities services, debt capital markets, corporate finance and foreign exchange. Standard Chartered India also has a primary dealership, which deals exclusively in government securities.

Standard Chartered has a substantial network of branches in India, including the Group's global shared service centre in Chennai, which provides operational and technology support to the Group's businesses across the world. For the year ended 31 December 2008, India contributed operating income of US$1,694 million and profit before tax of US$891 million to the Group. For the year ended 31 December 2009, India contributed operating income of US$1,813 million and profit before tax of US$1,060 million to the Group, making it the Group's second largest contributor of profits after Hong Kong.

India has shown growth over the last five years, as the operating income and profits before tax of the Indian business has grown at a compound annual growth rate of 32% and 40%, respectively.

Standard Chartered completed the disposal of its Indian asset management business which included Standard Chartered Trustee Company Private Limited and Standard Chartered Asset Management Company Private Limited in 2008.

Standard Chartered participated in several high-profile, cross-border acquisitions, advising and funding both Indian and foreign multinationals. On 11 January 2008, the Group completed the acquisition of a 49% joint venture interest in UTI, an equity brokerage firm, subsequently renamed Standard Chartered – STCI Capital Markets Limited. The Group acquired an additional 25.9% stake on 12 December 2008 which increased the Group's investment stake to 74.9%. In 2008 Standard Chartered India celebrated 150 years in business.

South Korea

Standard Chartered has had a presence in Korea since 1929. The Group acquired Korea First Bank, a major banking group in South Korea in April 2005 and completed the rebranding as Standard Chartered First Bank in September 2005. In November 2005, the Group's branch business in Korea was integrated with Standard Chartered First Bank ("SCFB"). In Korea, the bank had 379 branches with 1,675 ATMs with over 6,800 employees as at 31 December 2009. In Korea, Consumer Banking provides credit cards, personal loans, mortgages, deposit-taking and wealth management. Wholesale Banking provides corporate and institutional clients with services in trade finance, cash management, lending, custody, foreign exchange, debt capital markets and corporate finance. For the year ended 31 December 2008, Korea contributed operating income of US$1,546 million and profit before tax of US$329 million to the Group. For the year ended 31 December 2009, Korea contributed operating income of US$1,554 million and profit before tax of US$322 million. The Group has invested in measures to boost productivity and efficiency, refurbished and relocated branches and broadened the Wholesale Banking product suite. SCFB established Standard Chartered Securities Korea Ltd. ("SCSK"), a wholly-owned subsidiary, to perform its securities business. SCSK obtained a licence for its securities business from the Financial Supervisory Commission on 25 July 2008. In June 2009, Standard Chartered First Bank became the first foreign institution to gain approval to form a financial holding company.

Singapore

Singapore is one of the largest markets for the Group in terms of profits and remains a key geography with both Consumer Banking and Wholesale Banking headquartered out of Singapore. The Standard Chartered Private Bank is also headquartered in Singapore. Established in Singapore in 1859, Standard Chartered Singapore had over 5,500 employees as at 31 December 2009. Standard Chartered has broadly based its businesses in Singapore as a result of long-established franchises. Standard Chartered was among the first foreign banks in Singapore to be awarded a qualifying full bank license in October 1999 and is currently one of only six foreign banks to hold that status in Singapore (source: The Association of Banks in Singapore).

For the year ended 31 December 2008, Singapore contributed US$1,317 million operating income and US$608 million profit before tax to the Group. For the year ended 31 December 2009, Singapore contributed US$1,592 million operating income and US$714 million profit before tax to the Group.

Standard Chartered is a major player in the Consumer Banking market in Singapore. Standard Chartered also offers a range of Wholesale Banking services to its customer base in Singapore, with an emphasis on developing total solutions for its customers.

In Singapore, Consumer Banking provides credit cards, personal loans, mortgages, deposit-taking, wealth management and private banking services to individuals and SMEs. It has 18 branches, 28 ATMs and six priority banking centres. Standard Chartered is the only international bank to offer Network for Electronic Transfers service, giving its customers access to Electronic Fund Transfers at Point of Sale at over 17,000 outlets islandwide. Wholesale Banking has a strong track record of client-focused, award-winning solutions. It provides corporate and institutional clients with capital raising, corporate finance, currency and risk management solutions as well as cash management, securities services and trade finance solutions.

Other Asia Pacific Regions ("APR")

The Company's presence in this region spans 14 markets and includes Australia, Brunei, China, Indonesia, Japan, Mauritius, Malaysia (which has been grouped in this geographic segment since 2009), Philippines, Taiwan, Thailand and Vietnam.

For the year ended 31 December 2008, Other APR business including Malaysia contributed US$2,960 million operating income and US$705 million profit before tax to the Group.

For the year ended 31 December 2009, Other APR business including Malaysia contributed US$2,888 million operating income and US$770 million profit before tax to the Group.

Malaysia

Malaysia is another of Standard Chartered's important markets, with a broadly-based business as a result of long-established franchises. Standard Chartered was the first bank to be established in Malaysia in 1875 with a history of over 130 years. It has a network of 41 offices spread across Malaysia and a contact centre at Tamen Tan Dr Ismail. The Group employed approximately 5,000 people as at 31 December 2009 within banking operations which includes the Global Shared Services Centre in Kuala Lumpur.

The Group's Malaysian business offers a range of products from Consumer Banking, Wholesale Banking to Islamic Banking. Standard Chartered Saadiq, the Group's Islamic brand, was launched in Malaysia in 2007 and expanded to a full range of Islamic banking services in 2008.

Standard Chartered is a strong provider of mortgages. Its Mortgage One product, which it has successfully launched in Malaysia, was subsequently offered in Hong Kong, Singapore and India.

Standard Chartered also provides a range of Wholesale Banking services in Malaysia to its customer base, with an emphasis on financial institutions and multinational and large local corporations.

China

Standard Chartered is the oldest foreign bank in China, with its first branch in Shanghai set up in 1858. The Group was one of the first foreign banks to locally incorporate in China in April 2007 and now offers financial products and services in renminbi to local residents and through a network of 54 outlets, (including 15 branches, 37 sub-branches, one representative office and one village bank and 114 ATMs. Income increased 17% to US$738 million in 2009 with over three-quarters being generated by the Wholesale Banking business. China is increasingly becoming a major driver of income for the Group. As at 31 December 2009 Standard Chartered China employed over 4,200 staff and offers Consumer Banking and Wholesale Banking products and services.

In China, Wholesale Banking provides seamless cross-border solutions and products for customers, including cash management services, trade and supply chain financing solutions, funding solutions, securities services, risk management, debt capital markets and corporate finance. In 2009, Standard Chartered was the first bank to open onshore trade settlement accounts for offshore companies under the RMB cross border trade settlement pilot scheme, SMEs, financing and credit card and personal loans.

Since April 2007, Standard Chartered has been investing to capture the opportunities afforded by the market reforms, such as providing renminbi consumer banking services and positioning its franchise as a business of scale and breadth.

For the year ended 31 December 2008, China contributed income of US$631 million and profit before tax of US$69 million. Operating income in China increased 17% to US$738 million against the year ended 31 December 2008.

Taiwan

The Group has had a presence in Taiwan since 1985. In October 2006, Standard Chartered Taiwan completed the successful tender offer for Hsinchu, a leading domestic bank. At the time the transaction represented the biggest international investment in Taiwan's banking sector and the largest ever public tender offer in Taiwan as well as the first time a Taiwanese bank completely joined a foreign bank. Standard Chartered Taiwan completed its amalgamation with Hsinchu in July 2007. As at 31 December 2009, Standard Chartered Taiwan had 86 branches, 359 ATMs and over 3,850 employees.

Standard Chartered, in October 2008, agreed to purchase Asia Trust and Investment Corporation from the Taiwanese Government's Central Deposit Insurance Corporation. Under the terms of the transaction, Standard Chartered Bank (Taiwan) Limited will be able to relocate up to seven additional branches into Taipei, giving the Group the opportunity to expand its scale and reach in the Greater Taipei region.

By leveraging the international network and crossborder product capability, the Group seeks to capture a greater share of Taiwan's rapidly growing trade and investment flows. Standard Chartered Taiwan provides both Consumer Banking and Wholesale Banking products to its customer base. It is particularly targeting wealth management and also banking services to SMEs. For the full year ended 31 December 2009, Taiwan contributed operating income of US$533 million.

Thailand

The Group has had a presence in Thailand since 1894, when the first branch was opened in Bangkok, and offers both Consumer Banking and Wholesale Banking products and services. As at 31 December 2009 Standard Chartered Thailand employed approximately 2,000 staff and had 39 branches throughout Thailand.

In September 1999, Standard Chartered Thailand acquired a majority stake in Nakornthon Bank which was renamed Standard Chartered Nakornthon Bank. On 1 October 2005, the two banking businesses (SCB, Bangkok Branch and Standard Chartered Nakornthon Bank) were integrated into Standard Chartered Bank (Thai) Public Company Limited.

In Thailand, Consumer Banking provides credit cards, personal loans, mortgages and wealth management services to individuals and SMEs. Consumer Banking has launched innovative products and services, including power saver plus, which provides higher interest rates on fixed deposits with the flexibility of a savings account. Wholesale Banking provides corporate and institutional clients with services in trade finance, cash management, lending, securities services, foreign exchange, debt capital markets and corporate finance.

Indonesia

The Group has a history of over 145 years in Indonesia. With 13 branch offices in six major cities and a network of over 12,000 shared ATMs, Standard Chartered is an international bank with a wide geographical footprint across Indonesia. Permata Bank, in which SCB has a 44.51% interest, aspires to be the outstanding financial services provider in Indonesia, focusing on the Consumer and Commercial segments. Permata Bank serves approximately 1.9 million customers in 55 cities in Indonesia. As at 25 February 2010, Permata Bank has approximately 5,000 employees, 269 conventional branches, 10 Sharia branches and 569 proprietary ATMs with additional access to more than 20,000 ATMs (source: Permata press release dated 12 August 2009).

Middle East and Other South Asia ("MESA")

The Group operates in 11 markets in the MESA region. Whilst the UAE remains the largest of the Company's MESA markets, others such as Bahrain and Qatar have also demonstrated tremendous potential. For the year ended 31 December 2008, the Middle East and Other South Asia region contributed operating income of US$1,658 million and profit before tax of US$652 million to the Group. For the year ended 31 December 2009, the Middle East and Other South Asia contributed operating income of US$2,078 million and profit before tax of US$366 million to the Group.

The Group opened its first branch in the UAE in 1958 and was the first bank to receive a commercial banking licence in DIFC. Standard Chartered provides Consumer Banking, Wholesale

Banking, Islamic Banking and Private Banking services. Standard Chartered has the largest network among international banks with 11 branches and over 130 ATMs in the UAE. As at 31 December 2009 employees in the UAE exceeded 2,000.

Consumer Banking provides credit cards, personal loans, mortgages, deposit-taking and wealth management services to individuals and SMEs. Wholesale Banking provides corporate and institutional clients with services in trade finance, cash management, lending, security services, foreign exchange, debt capital markets and corporate finance.

Standard Chartered is the sole mandated clearing bank and also one of the settlement banks for the NASDAQ Dubai which aims to become the leading stock exchange located between Western Europe and East Asia.

The Group is the only financial institution to have a branch in Dragonmart, the largest Chinese trading platform outside mainland China. Dragonmart is a purpose-built, joint-venture complex between the governments of Dubai and China to facilitate trade flows.

Pakistan

Standard Chartered opened its first branch in Karachi in 1863. Standard Chartered Bank (Pakistan) Limited is the largest international bank in Pakistan with 174 branches spread over 41 cities and a workforce of over 3,000 people as at 31 December 2009.

The Consumer Banking business provides its customers with a variety of products from SME banking, secured loans (mortgage loans), unsecured loans (credit cards, personal loans), wealth management, consumer transaction banking and bancassurance. The Consumer Banking business was awarded the Best Retail Bank in Pakistan for the year 2008 by the *Asian Banker* publication.

SCB is the first international bank to get an Islamic Banking licence and to open the first Islamic Banking branch in Pakistan.

The end of 2006 marked the beginning of a major transformation for Standard Chartered's operations in Pakistan when it announced the acquisition of a controlling stake in Union Bank. The acquisition, the largest ever transaction in Pakistan's banking history, spearheaded the establishment of Standard Chartered Bank (Pakistan) Limited, the first international bank in Pakistan to be locally incorporated. Standard Chartered has made rapid progress with the integration of Union Bank. However, the political environment has had a negative impact, particularly on loan impairments and Standard Chartered entered 2008 with a somewhat cautious stance.

Africa

As at 31 December 2009, the Group has a presence in 13 countries in Africa, of which Nigeria and Kenya contributed approximately 32% of total African income in 2009. The Group's core African markets are Botswana, Ghana, Kenya, Nigeria, Zambia, Tanzania and Uganda. For the year ended 31 December 2008, Africa contributed operating income of US$910 million and profit before tax of US$313 million to the Group. For the year ended 31 December 2009, Africa contributed operating income of US$1,089 million and profit before tax of US$482 million. In February 2010, the Group opened an office in Angola taking its presence in Africa to 14.

As at 31 December 2009, Nigeria continued to be the Group's biggest market in the Africa region, where the Group has had a presence since 1999. Standard Chartered Bank Nigeria Limited offers both Consumer Banking and Wholesale Banking and operated through a network of 18 branches employing approximately 480 people.

In Kenya, Standard Chartered opened its first branches in Mombasa and Nairobi in January 1911. The Group operates through a network of 34 branches and employs over 1,500 staff. Standard Chartered Kenya provides both Consumer and Wholesale Banking products.

In these geographic markets, Consumer Banking provides debit cards, unsecured personal loans, overdrafts, secured products such as auto loans and mortgages, business financial services and wealth management services, which include current accounts, savings, fixed deposit and foreign currency accounts. Wholesale Banking offers lending, trade and cash management in commercial banking. It also offers FX sales and trading, derivatives, options, structured trade finance, assets and liabilities management, syndication and fixed income in global markets.

The Americas, the UK and Europe

In the Americas, the UK and Europe, the Group is focused on serving clients with needs in Asia, Africa and the Middle East, offering specialised products to multinational organisations. For the year ended 31 December 2008, the Group's operations in the Americas, the UK and Europe contributed operating income of US$1,627 million and a profit before tax of US$81 million to the Group. For the year ended 31 December 2009, operating income was US$1,800 million and operating profit before tax was US$375 million.

The Group's head office is based in London, along with the majority of Group functions. London is home to the Group's lead regulator, the FSA and four out of five of the Group Executive Directors operate out of London Head Office. Standard Chartered's Wholesale Banking team in London plays a key role in serving corporate and financial institutional clients conducting business in its markets. The acquisitions of Pembroke, Harrison Lovegrove and AEB have added specialist capabilities to the Group and helped expand its Private Banking network and Transaction Banking capabilities. For details see page 123 of this Red Herring Prospectus.

The Group has had a presence in New York since 1902. The US Dollar clearing business is based in New York and as at July 2009 it was rated seventh largest globally as derived from the rankings of the Clearing House Interbank Payments System ("CHIPS"). The CHIPS still ranks Standard Chartered and AEB separately and AEB is ranked thirteenth largest globally.

Standard Chartered's Latin American operations provide cash management, lending and trade finance services to a range of multinational corporations, banks, other financial institutions and domestic corporations. Standard Chartered has several offices in Latin America including in Argentina, Brazil, Peru and Venezuela.

RISK MANAGEMENT

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 the Company's risk management framework the Company manages enterprise-wide risks, with the objective of maximising risk adjusted returns while remaining within the Company's risk appetite. As part of this framework, the Company uses a set of principles that describes the risk management culture the Company wishes to sustain:

- Balancing risk and reward: risk is taken in support of the requirements of the Company's stakeholders, in line with the Company's strategy and within the Company's risk appetite.
- Responsibility: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. The Company 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 Company seeks to anticipate future risks and maximise awareness of all risks.
- Competitive advantage: The Company seeks competitive advantage through efficient and effective risk management and control.

Risk governance

Ultimate responsibility for setting the Company's risk appetite and for the effective management of risk rests with the Board. Executive responsibility for risk management is held by the SCB Court which comprises the Group executive directors and other directors of Standard Chartered Bank. The SCB Court delegates authority for the management of risk to several committees.

The GRC is responsible for the management of all risks other than those delegated by the SCB Court to the GALCO and the Group Pensions Executive Committee. The GRC is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, regulatory risk and reputational risk. The GRC also defines the Company's overall risk management framework.

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

The Group Pensions Executive Committee is responsible for the management of pension risk.

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

Risk limits and risk exposure approval authority frameworks are set by the GRC in respect of credit risk, country crossborder 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.

Acting within an authority delegated by the Board, the Audit and Risk Committee (ARC), whose members are all non-executive directors of the Group, reviews specific risk areas and monitors the activities of the GRC and GALCO. The ARC receives regular reports on risk management, including the Company'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. As of 4 March 2010, the ARC was divided into a Board Risk Committee and a Board Audit Committee.

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

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

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

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

The Risk function is also responsible for maintaining the RMF, ensuring it remains appropriate to the Group's activities, and is effectively communicated and implemented across the Group. The Risk function also administers the Company's Risk-related governance and reporting processes. The Company's RMF identifies the risk types to which the Company are exposed, each of which is controlled by a designated risk type owner. The major risk types are described individually in the following sections. The RTOs 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. It provides independent confirmation of compliance with Group and business standards, policies and procedures. Where necessary, it will recommend corrective action to restore or maintain such standards.

Risk appetite

The Company manages its risks to build a sustainable franchise in the interests of all the Company's stakeholders. Risk appetite is an expression of the amount of risk the Company is willing to take in pursuit of its strategic objectives, reflecting the Company's capacity to sustain losses and to continue to meet its obligations arising from a range of different stress trading conditions.

The Company defines the Company's risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. The Company also defines a risk appetite with respect to liquidity risks and reputational risk. The Company's quantitative risk profile is assessed through a 'bottom up' analytical approach covering all of the Company'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 Company'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 Standard Chartered to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors.

The Company's stress testing framework is designed to:

- contribute to the setting and monitoring of risk appetite;
- identify key risks to the Company's strategy, financial position, and reputation;
- examine the nature and dynamics of the risk profile and assess the impact of stresses on the Company'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, led by the Risk function with participation from the businesses, Group Finance, Global Research and Group Treasury, aims to ensure that the earnings and capital implications of specific stress scenarios are fully understood. The stress testing forum generates and considers pertinent and plausible scenarios that have the potential to adversely affect the Company's business.

In 2009, stress testing activity was intensified at country, business and Group levels, with specific focus on certain asset classes, customer segments and the potential impact of macro economic factors. Stress tests have taken into consideration possible future scenarios that could arise as a result of the development of prevailing market conditions.

Stress testing themes such as inflation, US dollar depreciation, declines in asset values, swine flu, or potential border conflicts are co-ordinated by the stress testing forum to ensure consistency of impacts on different risk types or countries. Stress tests for country or risk type are also performed. Examples of risk type stress testing are covered in the section "*Market risk*" on page 115 of this Red Herring Prospectus.

Credit risk

Credit risk is the risk that a counterparty to a financial transaction will fail to discharge an obligation, resulting in financial loss to Standard Chartered. Credit exposures may arise from both the banking and trading books. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

Credit policies

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

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

Credit rating and measurement

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

For IRB portfolios, a standard alphanumeric credit risk grade (CG) system is used in both Wholesale and Consumer Banking. The grading is based on the Company's internal estimate of probability of default over a one-year horizon, with customers or portfolios assessed against a range of quantitative and qualitative factors. The numeric grades run from 1 to 14 and some of the grades are further sub-classified A, B or C. Lower credit grades are indicative of a lower likelihood of default. Credit grades 1A to 12C are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted customers. The Company's credit grades in Wholesale Banking are not intended to replicate external credit grades, and ratings assigned by external ratings agencies are not used in determining the Company's internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade. Advanced IRB models cover a substantial majority of the Company's exposures and are used extensively in assessing risks at customer and portfolio level, setting strategy and optimizing the Company's risk-return decisions.

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

Credit approval

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

Concentration risk

Credit concentration risk is managed within concentration caps set for a 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 Group Credit Committee.

Credit monitoring

The Company regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance; as well as IRB portfolio metrics including credit grade migration.

The Wholesale Banking Credit Issues Forum, which is a sub-committee of the Wholesale Banking Risk Committee, meets regularly to assess the impact of external events and trends on the Wholesale Banking credit risk portfolio and to define and implement the Company's response in terms of appropriate changes to portfolio shape, underwriting standards, risk policy and procedures.

Corporate accounts or portfolios are placed on early alert when they display signs of weakness or financial deterioration, for example, where there is a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by GSAM, the Company's 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, exiting 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 specialist recovery teams. In some countries, aspects of collections and recovery functions are outsourced. The SME business is managed within Consumer Banking in two distinct segments: small businesses and medium enterprises, differentiated by the annual turnover of the counterparty. Medium enterprise accounts are monitored in line with Wholesale Banking procedures, while small business accounts are monitored in line with other Consumer Banking accounts. Medium enterprise and private banking past due accounts are managed by GSAM.

Credit mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. Standard Chartered also enters into collateralised reverse repurchase agreements. Collateral is valued in accordance with the Company's risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired loans is maintained at fair value. Where appropriate, credit derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility, such derivatives are used in a controlled manner with reference to their expected volatility.

Traded products

Credit risk from traded products is managed within the overall credit risk appetite for corporate 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 Company 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. In addition, the Company enters into CSA with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Under a variation margin process, additional collateral is called from the counterparty if total uncollateralised mark-to-market exposure exceeds the threshold and minimum transfer amount specified in the CSA. With certain counterparties, the CSA is bilateral and requires us to post collateral if the overall mark-to-market value of positions is in the counterparty's favour and exceeds an agreed threshold.

Securities

Within Wholesale Banking, the Underwriting Committee approves the portfolio limits and parameters by business unit for the underwriting and purchase of all pre-defined securities assets to be held for sale. The Underwriting Committee is established under the authority of the GRC. Wholesale Banking operates within set limits, which include country, single issuer, holding period and credit grade limits. Day-to-day credit risk management activities for traded securities are carried out by Traded Credit Risk Management whose activities include oversight and approval of temporary excesses within the levels delegated by the Underwriting Committee. Issuer credit risk, including settlement and pre-settlement risk, is controlled by Wholesale Banking Credit Risk, while price risk is controlled by Group Market Risk. The Underwriting Committee approves individual proposals to underwrite new corporate security issues. Where an underwritten security is held for a period longer than the target sell-down period, the final decision on whether to sell the position rests with the Risk Function.

Problem credit management and provisioning

Consumer Banking

In Consumer Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. Within Consumer Banking an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes the Company 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.

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

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

The provisions are based on the estimated present values of future cashflows, in particular those resulting from the realisation of security. Following such realisation any remaining loan will be written off. The days past due used to trigger write offs and IIP are broadly driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability of recovery (other than by realising security where appropriate) is low. For all products there are certain situations where the individual impairment provisioning or write off process is accelerated, such as in cases involving bankruptcy, fraud and death. Write off and IIP is accelerated for all restructured accounts to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively.

The procedures for managing problem credits for Private Banking and the medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking. Non-performing loans are defined as loans past due by more than 90 days or that are otherwise individually impaired.

The cover ratio is a common metric used in considering trends in provisioning and non-performing loans. It should be noted, however, that, as explained above, a significant proportion of the PIP is intended to reflect losses inherent in the loan portfolio that is less than 90 days delinquent and hence recorded as performing.

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 the Company's specialist recovery unit, GSAM, which is separate from the Company's main businesses. Where any amount is considered irrecoverable, an individual impairment provision is raised. This provision is the difference between the loan carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, the Company 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 a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

As with Consumer Banking, there is a PIP to cover the inherent risk of losses which although not identified, are known to be present in any portfolio. In Wholesale Banking, this is set with reference to historic loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The PIP methodology provides for accounts for which an individual impairment provision has not been raised.

Gross non-performing loans in Wholesale Banking increased by US$1.1 billion from 2008 to 2009, and this is driven by a small number of individually significant accounts, the largest of which are two closely linked customers in Saudi Arabia, included within the MESA region. The cover ratio reflects the extent to which gross nonperforming loans are covered by individual and portfolio impairment provisions. The balance uncovered by individual impairment provisions represents the value of collateral held and/or the Company's estimate of the net outcome of any workout strategy.

Country cross border risk

Country cross border risk is the risk that the Company 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 Company's country cross border risk limits and delegates the setting and management of country limits to the Group Country Risk function. The business and country chief executive officers manage exposures within these limits and policies. Countries designated as higher risk are subject to increased central monitoring.

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

Market risk

The Company recognises market risk as the risk of loss resulting from changes in market prices and rates. The Company's exposure to market risk arises principally from customer-driven transactions. The objective of the Company'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.
- Equity price risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

Market risk governance

The GRC approves the Company's market risk appetite taking account of market volatility, the range of traded products and asset classes, business volumes and transaction sizes. Market risk appetite has remained broadly stable in 2009.

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

Group Market Risk 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 Company 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 that 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%. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year. The Company apply two VaR methodologies:

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

In both methods a historical observation period of one year is chosen and applied. VaR is calculated as the Company'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 assess their predictive power, VaR models are back tested against actual results. In 2009 there was only one exception in the regulatory back testing, compared with three in 2008. 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%.

Stress testing

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. Group Market Risk complements the VaR measurement by weekly stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible. Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

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

Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. This covers all asset classes in the Financial Markets banking and trading books. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Market risk VaR coverage

Interest rate risk from across the non-trading book portfolios is transferred to Financial Markets where it is managed by local ALM desks under the supervision of local 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. The interest rate risk on securities issued by Group Treasury is hedged to floating rate and is not included within Group VaR.

VaR and stress tests are therefore applied to non-trading book exposures in the same way as for the trading book, including listed available for sale securities. Securities classed as 'loans and receivables' or 'held to maturity' are not reflected in VaR or stress tests since they are accounted on an amortised cost basis, so market price movements have no effect on either profit and loss or reserves. Foreign exchange risk on the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency. Structural foreign exchange currency risks are not included within Group VaR.

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

Market risk regulatory capital

At the Group level, the FSA specifies minimum capital requirements against market risk. The FSA has granted the Group Capital Adequacy Directive 2 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 Capital Adequacy Directive 2 scope are assessed according to standard FSA rules.

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 Company'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 Company enters into derivative contracts in the normal course of business to meet customer requirements and to manage the Company's 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.

Hedging

Countries within the Group use futures, forwards, swaps and options transactions primarily to mitigate interest and foreign exchange risk arising from their own country exposures. The Company also uses futures, forwards and options to hedge foreign exchange and interest rate risk. In accounting terms under IAS 39, hedges are classified into three types: fair value hedges, predominantly where fixed rates of interest or foreign exchange are exchanged for floating rates; cash flow hedges, predominantly where variable rates of interest or foreign exchange are exchanged for fixed rates; and hedges of net investments in overseas operations translated to the parent company's functional currency, US dollars.

The Company 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.

Structural currency exposure management

The Company has investments in foreign operations (subsidiaries and branches) in currencies other than the Company's functional currency, US dollars. Foreign exchange movements on those net investments in foreign currencies are taken to the Company's reserves; these reserves form part of the capital base. The effect of exchange rate movements on the capital ratio is partially mitigated by the fact that both the value of these investments and the risk weighted assets in those currencies follow broadly the same exchange rate movements.

The Company hedges the net investments in limited circumstances if it is anticipated that the capital ratio will be materially affected by exchange rate movements.

Liquidity risk

Liquidity risk is the risk that the Company either does not have sufficient financial resources available to meet all the Company's obligations and commitments as they fall due, or can only access these financial resources at excessive cost. It is the Company's policy to maintain adequate liquidity at all times, in all geographic locations and for all currencies, and hence to be in a position to meet all obligations as they fall due. The Company manages liquidity risk both on a short-term and medium-term basis. In the short-term, the Company's focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the balance sheet remains structurally sound.

The GALCO is the responsible governing body that approves the Company's liquidity management policies. The 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 Company seeks to manage its liquidity prudently in all geographical locations and for all currencies. Exceptional market events can impact it adversely, thereby affecting its ability to fulfil 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 Company's customer deposit base is diversified by type and maturity. In addition the Company has a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions.

Policies and procedures

Due to the diversified nature of the Company's business, the Company's policy is that liquidity is more effectively managed locally, in-country. Each ALCO is responsible for ensuring that the country is self-sufficient, able to meet all its obligations to make payments as they fall due, and operates within the local regulations and liquidity limits set for the country. The Company's 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 Company'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 and that customer lending is funded by customer deposits;
- 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 Company 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 remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a regular basis by Group Market Risk. Limit excesses are escalated and approved under a delegated authority structure and reviewed by ALCO. Excesses are also reported monthly to the LMC and GALCO which provide further oversight.

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

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

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

Primary sources of funding

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

The Company maintains access to the interbank wholesale funding markets in all major financial centres and countries in which the Company operates. This seeks to ensure that the Company has flexibility around maturity transformation, has market intelligence, maintains stable funding lines and can obtain optimal pricing when the Company performs its interest rate risk management activities.

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. The Company seeks to minimise exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The GORC oversees the management of operational risks across the Group, supported by business, functional, and country-level committees. This formal structure of governance provides the Group Risk Committee with confidence that operational risks are being proactively identified and effectively managed. Group Operational Risk is responsible for setting and maintaining standards for operational risk management and measurement. An independent assurance function, separate from the business and functions, is responsible for assuring adherence to the Company's operational risk controls.

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 the Group Compliance and 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 and Assurance function.

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

Reputational risk

Reputational risk is that the Company fails to meet the standards of performance or behaviour mandated by the Company's Board and expected by the Company's stakeholders in the way in which business is conducted. It is the Company's policy that protecting the Company's reputation should at all times 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, operational, environmental or social risk. All employees are responsible for day-to-day identification and management of reputational risk.

The Wholesale Banking Responsibility and Reputational Risk Committee and the Consumer Banking Responsibility and Reputational Risk Committee have responsibility for managing reputational risk in their respective businesses, while the Group Risk Committee provides oversight, sets Group-wide policy and monitors any material risk issues. At the country level, it is the responsibility of the country Chief Executive Officer to protect the Company'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 Company's policy and procedures regarding reputational risk;

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

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

Monitoring

Group Internal Audit is a separate Group function that reports to the chairman, Group Chief Executive and the ARC. Group Internal Audit provides independent confirmation that Group and business standards, policies and procedures are being complied with. Where necessary, corrective action is recommended.

COMPETITION

In almost all activities in which Standard Chartered is engaged and in all geographic areas in which it operates, Standard Chartered experiences competition from major financial institutions (including commercial banks, consumer finance companies and investment banks), as well as local banks and niche players. Such a competitive landscape is fast changing, which in turn provides significant opportunities and challenges for Standard Chartered. Competitors vary by geography with only a handful of names competing in multiple geographies. Typically, local banks are the principal competitors for both the Consumer Banking and Wholesale Banking businesses given their extensive distribution networks and large market shares.

Technological innovations, including new and expanding information and communication technologies, increase the channels via which financial institutions can sell their products and services to their customers.

Partnerships or alliances between financial institutions and technology and telecommunications providers are also seen as competitors, although they tend to be more restricted to a specific area or product attribute.

Standard Chartered believes that it is in a strong competitive position in the markets in which it operates. Standard Chartered believes that in many of these markets regulatory or other barriers to entry are still high. Standard Chartered's network is one which has been built over an extended period of time and which it believes is not easily replicated.

At the same time, Standard Chartered believes that its wide product offering and large scale of operations in many of the emerging markets in which it operates can offer a competitive advantage.

In addition, unlike in many of the developed countries, the demand for banking services is expanding in the emerging markets. Thus, Standard Chartered's strategy is based on opportunities for growth arising from both increasing market size and its ability to increase market share.

PROPERTIES

The net book value of all of the Group's properties as at 31 December 2009 was US$2,224 million.

INTELLECTUAL PROPERTY

As at 31 March 2010, the Company had 459 trade mark registrations for, and approximately 164 applications for registration relating to, the Standard Chartered name and/or Standard Chartered logo (or variations thereof) in all countries where the Group has significant operations. In addition, in specific countries, the Company has 720 trade mark registrations for, and 150 applications for registration relating to, other trade marks relevant to its products and/or business. Other than in respect of the Standard Chartered name and/or Standard Chartered logo, the Group is not materially dependent on any intellectual property right.

EMPLOYEES

As at 31 December 2009, the Group employed over 77,300 employees worldwide as compared with approximately 80,600 and 77,200 as at 31 December 2008 and 2007, respectively. As at 31 December 2009, the Group had 47,522 employees in Consumer Banking, 17,379 employees in Wholesale Banking and 12,425 employees in Support Services.

RECENT DEVELOPMENTS

No circumstance has arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affects or is likely to affect the trading or profitability of the Company or the value of its assets, or its ability to pay its liabilities within the next 12 months.

The following events have been announced by the Company since 1 January 2010:

On 27 April 2010, the Company entered into an agreement to acquire Barclays Bank PLC's custody business in Africa. The transaction is expected to be completed in 2010, subject to regulatory approvals and other customary conditions. The acquisition adds direct custody capabilities in eight of Standard Chartered's African markets (Botswana, Ghana, Kenya, Mauritius, Tanzania, Uganda, Zambia and Zimbabwe) and indirect capabilities in a further eight markets (Egypt, Cote d'Ivoire, Malawi, Morocco, Namibia, Nigeria, Tunisia and South Africa) provided through a network of third party sub-custodians via an operations hub in Mauritius.

On 4 May 2010, the Group released its interim management statement for the first quarter of 2010. Since 2008, all European companies are required to make a regular announcement at the end of the first and third quarters to supplement half-yearly reporting.

REMOVAL OF RESTRICTIONS ON THE COMPANY'S OBJECTS AND CERTAIN OTHER UPDATING CHANGES TO ITS CONSTITUTION

At its annual general meeting on 7 May 2010 the Company obtained shareholder approval to remove the objects clause from its constitutional documents and make certain other updating changes to its constitution. Pursuant to changes to UK company law, companies now have unrestricted objects unless their constitutional documents provide otherwise and as a result of these changes the majority of public companies in the UK are removing their objects clauses.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based upon, and should be read together with, the audited consolidated financial statements of the Company for the years ended 31 December 2009, 2008 and 2007.

The audited consolidated financial statements have been prepared in accordance with IFRS, which differ in certain respects from Indian GAAP. For a narrative summary of the significant differences between IFRS and Indian GAAP see the section titled "Summary Differences between Indian GAAP and IFRS" on page 471 of this Red Herring Prospectus.

The Company's functional and presentation currency is the US dollar (US$) and the Group's presentation currency is US$. Some financial information has been translated from US$ into Rs. for reference only on the basis and at the rates set out in the section titled "Exchange rates" on page 19 of this Red Herring Prospectus.

Prospective investors' attention is drawn to the section titled "Forward-Looking Statements" on page 16 of this Red Herring Prospectus regarding forward-looking statements in this part of this Red Herring Prospectus.

The following discussion is subject to the risk factors described in the section titled "Risk Factors" on page 64 of this Red Herring Prospectus.

The following is extracted without material adjustment from the Annual Report 2009 and 2008 and the statements are made as at the date of the Annual Report 2009 and 2008, as applicable, rather than the date of this Red Herring Prospectus.

Overview of the Group

Standard Chartered operates two business divisions which are also the two main business segments: Wholesale Banking and Consumer Banking. A brief description of the main business segments is provided below and a more detailed description of these businesses is provided in the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Consumer Banking products and services include banking services, deposit-taking services, credit cards, personal loans, mortgages, auto finance and wealth management services. Major markets include Hong Kong, Singapore, Malaysia, Indonesia, South Korea, Pakistan, India, Taiwan and the UAE. Principal customers of the Consumer Banking business are individuals in Asia, Africa and the Middle East. In addition to serving individuals, Consumer Banking also offers a range of deposit-taking, trade, lending and other banking services to SMEs. As at 31 December 2009, the Group has approximately 1,700 branches and 5679 ATMs operating in more than 71 markets. These are a key part of the distribution network for its Consumer Banking business.

Wholesale Banking provides a wide range of solutions to help corporate and institutional clients facilitate trade and finance across some of the important growing markets and trade corridors in today's global economy. The Wholesale Banking structure, bringing Corporate and Institutional Banking and Global Markets under one management team, provides customers with an efficient level of service and promotes the cross-selling of products and services to customers through the Group's emerging market network in Asia, Africa and the Middle East. This is complemented by a sales origination platform in India, the UK, the US, Australia and Japan. Wholesale Banking customers include multinational and large local corporations, banks, other financial institutions and, particularly in Hong Kong, India, the UAE, Singapore and Malaysia, medium-sized local companies.

The Group's secondary reporting format comprises geographic segments, classified by location of the customer. The eight main geographic markets are as follows: India, Hong Kong, Singapore, South Korea, Other Asia Pacific including Malaysia, MESA, Africa and the Americas, the UK and Europe.

Business Review

Financial performance

The Group continues to build on its record of consistent performance. 2009 is the seventh successive year of record income and profits and fourth year of generating over $1 billion of incremental organic income. Over the last seven years, the Company achieved a compounded annual growth rate (CAGR) of 19% and 22% for income and profits, respectively.

Further analysis on the financial performance of the Group is discussed in subsequent pages of this section.

Consumer Banking

Consumer Banking's operating income increased/(decreased) year-on-year by 24%, 3% and (5)% and operating profit increased/(decreased) year-on-year by 27%, (33%) and (22)% for the years ended 31 December 2007, 2008 and 2009, respectively. With the Group firmly focused on balance sheet strength, Consumer Banking has continued its drive to gather deposits. Further details of the financial results and analysis of Consumer Banking for the relevant periods are provided on pages 135 and 196 of this Red Herring Prospectus.

Wholesale Banking

Wholesale Banking's operating income increased year-on-year by 34%, 43% and 24% and operating profit increased year-on-year by 27%, 28% and 36% for the years ended 31 December 2007, 2008 and 2009, respectively. Further details of the financial results and analysis of Wholesale Banking for the relevant periods are provided on pages 140 and 200 of this Red Herring Prospectus.

Acquisitions

While organic growth continues to drive performance, the Group also conducted acquisitions to achieve scale and create future growth. The principal acquisitions completed by the Group from 1 January 2006 to 31 December 2009 are as follows:

- on 5 September 2006, the Group acquired a further 12.96% in Permata Bank, a provider of wholesale and retail banking products in Indonesia. The Group owned 44.51% of Permata Bank at 31 December 2007;
- on 5 September 2006, the Group acquired 95.4% of Union Bank, a provider of wholesale and retail banking products in Pakistan. On 30 December 2006 the assets and business of Union and the SCB branch in Pakistan were amalgamated into Standard Chartered Bank (Pakistan) Limited. The Group owned 99.0% of the combined entity at 31 December 2006;
- on 19 October 2006 the Group acquired a controlling interest in Hsinchu, a provider of wholesale and retail banking products in Taiwan. The Group owned 96.2% of Hsinchu at 31 December 2006. During 2007 the Group acquired the remaining minority shareholding interest of Hsinchu;
- the Group completed the acquisition of: 100% of Pembroke, an aircraft leasing, financing and management company based in Ireland, on 5 October 2007; 100% of Harrison Lovegrove, an oil and gas advisory company based in London, UK, on 3 December 2007; and 80% of A Brain, a South Korean fund administration company, on 5 December 2007. The Group acquired the remaining 20% of A Brain in January 2008;
- on 11 January 2008, the Group completed the acquisition of a 49% joint venture interest in UTI, an equity brokerage firm in India subsequently renamed as Standard Chartered – STCI Capital Markets Limited (SC Caps);
- on 25 February 2008, the Group completed the acquisition of the South Korean mutual savings bank, Yeahreum;
- on 29 February 2008, the Group acquired 100% of AEB, a leading financial services company present in 47 countries;
- on 24 July 2008, Standard Chartered Bank (Hong Kong) Limited acquired a further 6.16% of the shares in Asia Commercial Bank, Vietnam ("ACB") and a further 7.10% in the convertible bonds of ACB. The transaction increased the investment of the Group in ACB from 8.84% of ACB's shares to 15.00% and from 8.76% of ACB's convertible bonds to 15.86%;
- on 7 October 2008, it was announced that Standard Chartered Bank (Taiwan) Limited had been named as the preferred Bidder in a government auction to acquire the "good bank" portion of Asia Trust and Investment Corporation in Taiwan and these assets were amalgamated into the Group as of 30 June 2009;
- on 13 November 2008, it was announced that Standard Chartered Bank (Hong Kong) Limited had entered into an agreement to acquire 100% of the share capital of Cazenove Asia Limited. The acquisition was completed on 30 January 2009;
- on 12 December 2008, the Group acquired an additional stake of 25.9% in SC Caps;
- on 30 June 2009, the Group acquired the remaining 75% interest in First Africa; and

- during 2009 the Group acquired a further 2% interest in its subsidiary in Ghana for an additional $8 million generating goodwill of $6 million.

As described previously, the Group's businesses fall into two main segments: Consumer Banking and Wholesale Banking.

Summary of financials for the years ended 31 December 2009 and 31 December 2008

Group operating income and profit

	2009 *$million*	*2008* *$million*	*2009 vs 2008* *%*
Net interest income	7,623	7,387	3
Fees and commissions income, net	3,370	2,941	15
Net trading income	2,890	2,405	20
Other operating income	1,301	1,235	5
	7,561	6,581	15
Operating income	15,184	13,968	9
Operating expenses	(7,952)	(7,611)	4
Operating profit before impairment losses and taxation	7,232	6,357	14
Impairment losses on loans and advances and other credit risk provisions	(2,000)	(1,321)	51
Other impairment	(102)	(469)	(78)
Profit from associates	21	1	nm[1]
Profit before taxation	5,151	4,568	13

	2009 *Rs.million*	*2008* *Rs.million*	*2009 vs 2008* *%*
Net interest income	355,842	344,825	3
Fees and commissions income, net	157,312	137,286	15
Net trading income	134,905	112,265	20
Other operating income	60,731	57,650	5
	352,947	307,201	15
Operating income	708,789	652,026	9
Operating expenses	(371,199)	(355,281)	4
Operating profit before impairment losses and taxation	337,590	296,745	14
Impairment losses on loans and advances and other credit risk provisions	(93,360)	(61,664)	51
Other impairment	(4,761)	(21,893)	(78)
Profit from associates	980	47	nm[1]
Profit before taxation	240,449	213,234	13

1 Not Material

Acquisitions in 2009

On 30 January 2009, the Company completed the acquisition of Cazenove Asia Limited (subsequently renamed Standard Chartered Securities (Hong Kong) Limited) in Hong Kong.

On 30 June 2009, the Company completed the acquisition of the remaining 75% equity shareholding in First Africa, in South Africa.

The effects of the above acquisitions were not material to the Company's 2009 performance.

On 30 June 2009, the assets of the 'good bank' business of Asia Trust and Investment Corporation (ATIC) in Taiwan were amalgamated into Standard Chartered Bank (Taiwan) Limited. The integration of the business is largely complete.

Group summary – financial years ended 31 December 2009 and 31 December 2008

The Group has delivered a record performance for the year ended 31 December 2009. Profit before taxation rose 13% to $5,151 million and operating income increased by 9% to $15,184 million. On a constant currency basis, profit before taxation was up 18% and operating income up 14%.

This is the seventh consecutive year in which the Company has demonstrated a sustained and consistent track record of delivering record operating income and record profits. Over this period, the Company achieved a compounded annual growth rate (CAGR) of 19% and 22% for income and profits, respectively.

The normalised cost to income ratio improved from 56.1% in 2008 to 51.3%. Normalised earnings per share increased by 2.8% to 179.8 cents. Further details of basic and diluted earnings per share are provided in note 13 on page 136 of the 2009 Annual Report.

After the exceptional events in the latter part of 2008, this year continued to be a challenging and uncertain period for the banking industry. The Company navigated the year by retaining a keen focus on the fundamentals of sound banking practice: capital and liquidity management, proactive risk management and discipline on expenses.

The Company's capital position is strong. The Core Tier 1 ratio at 31 December 2009 was 8.9%, compared to 7.5% at the end of 2008. It was strengthened by organic equity generation of over $3 billion and a share issue in August 2009 of $1.7 billion. Balance sheet and risk weighted asset (RWA) growth was appropriately paced.

The Company remains highly liquid. The advances to deposit ratio at 31 December 2009 was 78.6%, compared to 74.8% at the end of 2008 and the Company remains a net lender into the interbank market. Whilst the Company benefitted from being a "flight to quality" institution for deposits, the Company also further improved its liability mix. For example, low cost current and saving account balances now comprise 53% of its total deposit base, up from 43% at the end of 2008. Current and saving account balances grew strongly by over $40 billion to $157 billion, up 34%.

The balance sheet is conservatively positioned with minimal exposure to problem asset classes. Although the Company benefitted in the second half of 2009 from a moderating risk environment, it also took steps to de-risk the portfolio and loan impairment fell in both businesses in the second half. In Consumer Banking, over 75% of the portfolios are now secured.

Expense management in 2009 was very good with overall cost growth of 4%, well below 9% income growth so resulting in operating 'jaws' of 5%. During the early part of the year, when the economic outlook was uncertain, discretionary spending was reined in. As the year progressed and trading conditions became more settled, the Company accelerated its investment to support trading momentum into 2010.

The Company's capital, liquidity and risk foundations are excellent and the Company entered 2010 with good momentum, well placed to meet the opportunities and challenges that it will face.

Group performance

Operating income grew by $1,216 million, or 9%, to $15,184 million in 2009. This was despite the income drag that came from margin compression on liabilities and the adverse impact of foreign exchange (FX) movements, primarily in India, Korea and certain countries in Africa. On a constant currency basis, the Company's income was up 14%.

Income growth was driven by Wholesale Banking, broadly spread across geographies and well diversified over multiple product lines. Five individual markets now deliver over $1 billion of income.

Net interest income

Net interest income grew $236 million or 3%. In Consumer Banking net interest income fell $331 million or 8% as net margins on deposits remained some 60 basis points lower than in 2008 reflecting the low interest rate environment. Wholesale Banking net interest income rose $567 million or 17%. The Cash Management and Custody businesses were also impacted by low margins and income here fell 24% despite a 24% growth in balances. However the Trade and Lending businesses more than compensated for this reduction growing income 26% and 54% respectively with re-pricing actions serving to increase asset margins. The Group's net interest margin fell from 2.5% in 2008 to 2.3%, with higher asset margins more than offset by compressed liability margins.

Interest income for the financial year ended 31 December 2009 decreased US$3.5 billion, or 21%, when compared with the equivalent period in 2008. The decrease in interest income was largely due to sales falling offset by an increase in volume. Interest expense for the financial year ended 31 December 2009 decreased by US$3.7 billion, or 41% when compared with 2008. The decrease is largely due to lower interest rates and reduced volume.

The following table shows, for the periods indicated, the principal components of interest income and expenses:

Interest Income

	2009 *US$m*	*2008* *US$m*	*2009* *Rs.m*	*2008* *Rs.m*
Balances at central banks	6	32	280	1,494
Treasury bills	656	835	30,622	38,978
Loans and advances to banks	755	1,382	35,243	64,512
Loans and advances to customers	9,370	11,397	437,392	532,012
Listed debt securities	885	1,147	41,312	53,542
Unlisted debt securities	1,196	1,545	55,829	72,121
Accrued on impaired assets (discount unwind)	58	40	2,707	1,867
	12,926	16,378	603,386	764,525
Interest Expense				
Deposits by banks	854	1,268	39,865	59,190
Customer accounts:				
Interest-bearing current accounts and savings deposits	785	1,009	36,644	47,100
Time deposits	2,394	4,328	111,752	202,031
Debt securities in issue	769	1,338	35,897	62,458
Subordinated liabilities and other borrowed funds:				
Wholly repayable within five years	37	389	1,727	18,159
Other	464	659	21,660	30,762
	5,303	8,991	247,544	419,700
Net Interest Income	7,623	7,387	355,842	344,825

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.

	2009 versus 2008		
	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	2	(28)	(26)
Loans and advances to banks	101	(728)	(627)
Loans and advances to customers	481	(2,489)	(2,008)
Investment securities	347	(1,137)	(790)
Total interest earning assets	931	(4,382)	(3,451)
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	(678)	130	(548)
Interest bearing current accounts and savings deposits	143	(516)	(373)
Time and other deposits	157	(2,354)	(2,197)
Debt securities in issue	(97)	(472)	(569)
Total interest bearing liabilities	(475)	(3,212)	(3,687)

	2009 versus 2008		
	Increase/(decrease) in interest due to:		*Net increase/ (decrease) in interest*
	Volume Rs.million	*Rate Rs.million*	*Rs.million*
Interest earning assets			
Cash and unrestricted balances at central banks	93	(1,307)	(1,214)
Loans and advances to banks	4,715	(33,983)	(29,268)
Loans and advances to customers	22,453	(116,187)	(93,733)
Investment securities	16,198	(53,075)	(36,877)
Total interest earning assets	43,459	(204,552)	(161,093)
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	(31,649)	6,068	(25,581)
Interest bearing current accounts and savings deposits	6,675	(24,087)	(17,412)
Time and other deposits	7,329	(109,885)	(102,556)
Debt securities in issue	(4,528)	(22,033)	(26,561)
Total interest bearing liabilities	(22,173)	(149,936)	(172,109)

Non-interest income

	2009 US$m	2008 US$m	2009 Rs.m	2008 Rs.m	Increase %
Fees and commissions income, net	3,370	2,941	157,312	137,286	15
Net trading income	2,890	2,405	134,905	112,265	20
Other operating income	1,301	1,235	60,731	57,650	5
Non-interest income	7,561	6,581	352,947	307,201	15

Non-interest income grew $980 million or 15%, to $7,561 million.

Net fees and commission income

Net fees and commissions income grew $429 million, or 15%, to $3,370 million. In Consumer Banking, whilst demand for Wealth Management products improved steadily through the year, fee income levels were still below those of 2008. Wholesale Banking fee income was higher as a result of strong corporate advisory income and capital market fees, which more than offset reduced custody income.

Net trading income

Net trading income increased $485 million, or 20%, to $2,890 million. Asset and Liability Management (ALM) income was up 6% through realisations from positions taken at the end of 2008 capturing both high interest rates and wide credit spreads. Trading income also grew through increased client demand with gains in securities, interest rate and credit and other derivatives.

The following table sets forth, for the periods indicated, the principal components of net trading income:

	2009 $million	2008 $million
Gains less losses on instruments held for trading:	2,770	2,402
Gains less losses from fair value hedging:	(8)	6
Gains less losses on instruments designated at fair value:	128	(3)
	2,890	2,405

	2009 Rs.million	2008 Rs.million
Gains less losses on instruments held for trading:	129,304	112,125
Gains less losses from fair value hedging:	(373)	280
Gains less losses on instruments designated at fair value:	5,975	(140)
	134,905	112,265

Other operating income

Other operating income was up $66 million, or 5%, to $1,301 million. Other operating income includes $592 million of net profits on available for sale (AFS) assets including disposals from private equity and strategic portfolios, $264 million of gains arising from the buy back of subordinated debt, and $156 million related to lease income.

Operating expenses

Operating expenses increased $341 million or 4% to $7,952 million. On a constant currency basis expenses were up 10%. Expenses include $170 million for the buy back of structured notes from the PEM Group in Taiwan and a $58 million charge in respect of the UK bank payroll tax. Both these items have been normalised for the purposes of EPS and cost income ratio. The Company has again maintained a tight rein on expenses this year. Group headcount reduced by over 3,000 both through natural attrition and selective restructuring initiatives. Consumer Banking expenses were $3,709 million, down 3% on 2008. Consumer Banking continued a number of restructuring initiatives. Expenses increased towards the end of 2009 as the business increased investment in the light of improving income and impairment levels. Wholesale Banking expenses were $4,185 million, up 11%. This increase was driven by the flow through effect of investments in skills and infrastructure in previous years together with increased variable compensation driven by a strong income performance.

The following table sets forth, for the periods indicated, the principal components of operating expenses:

	2009 US$m	*2008 US$m*	*2009 Rs.m*	*2008 Rs.m*
Staff costs:				
Wages and salaries	3,634	3,793	169,635	177,057
Social security costs	98	93	4,575	4,341
Other pension costs	138	172	6,442	8,029
Share based payments	375	121	17,505	5,648
Other staff costs	667	558	31,136	26,047
	4,912	4,737	229,292	221,123
Premises and equipment expenses:				
Rental of premises	338	337	15,778	15,731
Other premises and equipment costs	341	376	15,918	17,552
Rental of computers and equipment	19	25	887	1,167
	698	738	32,583	34,450
General administrative expenses	1,822	1,711	85,051	79,869
Depreciation and amortisation expenses:				
Premises	119	98	5,555	4,575
Equipment	193	152	9,009	7,095
Intangibles:				
Software	139	94	6,489	4,388
Acquired on business combinations	69	81	3,221	3,781
	520	425	24,274	19,839
Total Operating Expenses	7,952	7,611	371,199	355,281

The Group's normalised cost to income ratio improved to 51.3%, down from 56.1% in 2008.

Operating profit before impairment losses and taxation (also referred to as 'working profit') increased by $875 million, or 14%, to $7,232 million. On a constant currency basis, the increase in working profit was 19%.

Impairment provisions

Loan impairment was up $679 million or 51% to $2,000 million. The challenging credit environment seen in the latter half of 2008 continued into the early part of the year. In the second half both businesses have generally seen an improving credit environment. Loan impairment was down on the first half in Consumer Banking and in Wholesale Banking by 13% and 19%, respectively, the latter despite the portfolio provision taken in respect of exposures in the Middle East.

Other impairment charges were $102 million, down 78% from $469 million in 2008. In 2009 the other impairment charge relates mainly to asset backed securities whereas in 2008 the charge also comprised write downs in the valuation of the private equity and strategic investment portfolios.

Profit before taxation was up $583 million, or 13%, to $5,151 million. India joined Hong Kong as the second geography to deliver operating profits in excess of $1 billion.

The Group's effective tax rate (ETR) was 32.5%, compared to 26.8% in 2008. The 2009 ETR was higher than the Company's normal underlying tax rate due to the effects of a collaborative exercise with Her Majesty's Revenue and Customs (HMRC) which finalised prior year UK tax computations from 1990 to 2006 resulting in a one-off net charge of $190 million in the current year.

Normalised return on ordinary shareholders' equity was 14.3% in 2009, compared to 15.2% in 2008 reflecting the further strengthening of the Company's capital positioning.

Profit and Loss, by class of business and geographic markets, for the financial years ended 31 December 2009 and 31 December 2008

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

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

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

By class of business

	2009					*2008*				
	Consumer Banking $million	*Wholesale Banking $million*	*Total reportable segments $million*	*Corporate items not allocated[3] $million*	*Total $million*	*Consumer Banking $million*	*Wholesale Banking $million*	*Total reportable segments $million*	*Corporate items not allocated[4] $million*	*Total $million*
Internal income	(55)	55	—	—	—	(78)	78	—	—	—
Net interest income	3,876	3,747	7,623	—	7,623	4,224	3,163	7,387	—	7,387
Other income	1,808	5,489	7,297	264	7,561	1,806	4,248	6,054	527	6,581
Operating income	5,629	9,291	14,920	264	15,184	5,952	7,489	13,441	527	13,968
Operating expenses	(3,709)	(4,185)	(7,894)	(58)	(7,952)	(3,843)	(3,768)	(7,611)	—	(7,611)
Operating profit before impairment losses and taxation	1,920	5,106	7,026	206	7,232	2,109	3,721	5,830	527	6,357
Impairment losses on loans and advances and other credit risk provisions	(1,052)	(948)	(2,000)	—	(2,000)	(937)	(384)	(1,321)	—	(1,321)
Other impairment	(1)	(82)	(83)	(19)	(102)	(56)	(336)	(392)	(77)	(469)
Profit from associates	—	—	—	21	21	—	—	—	1	1
Profit before taxation	867	4,076	4,943	208	5,151	1,116	3,001	4,117	451	4,568
Total assets employed[1]	103,534	331,306	434,840	1,813	436,653	86,402	346,731	433,133	1,935	435,068
Total liabilities employed	144,167	263,571	407,738	995	408,733	129,029	282,656	411,685	688	412,373
Other segment items:										
Capital expenditure[2]	160	901	1,061	—	1,061	375	1,207	1,582	—	1,582
Depreciation	161	151	312	—	312	157	93	250	—	250
Interests in associates[1]	—	—	—	514	514	—	—	—	511	511
Amortisation of intangible assets	71	137	208	—	208	93	82	175	—	175

1 Interests in associates at 31 December 2008 included $511 million previously allocated by business that has now been included in 'Corporate items not allocated.'

2 Includes capital expenditure in Wholesale Banking of $631 million in respect of operating lease assets (31 December 2008: $852 million).

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

4 Relates to gain on buy-back of subordinated debt, disposal of business, impairment of associates and other strategic investments and the Group's share of profit from associates.

By class of business

	2009					*2008*				
	Consumer Banking Rs.million	*Wholesale Banking Rs.million*	*Total reportable segments Rs.million*	*Corporate items not allocated[3] Rs.million*	*Total Rs.million*	*Consumer Banking Rs.million*	*Wholesale Banking Rs.million*	*Total reportable segments Rs.million*	*Corporate items not allocated[4] Rs.million*	*Total Rs.million*
Internal income	(2,567)	2,567	—	—	—	(3,641)	3,641	—	—	—
Net interest income	180,932	174,910	355,842	—	355,842	197,176	147,649	344,825	—	344,825
Other income	84,397	256,227	340,624	12,324	352,947	84,304	198,297	282,601	24,600	307,201
Operating income	262,762	433,704	696,466	12,324	708,789	277,839	349,587	627,426	24,600	652,026
Operating expenses	(173,136)	(195,356)	(368,492)	(2,707)	(371,199)	(179,391)	(175,890)	(355,281)	—	(355,281)
Operating profit before impairment losses and taxation	89,626	238,348	327,974	9,616	337,590	98,448	173,696	272,144	24,600	296,745
Impairment losses on loans and advances and other credit risk provisions	(49,107)	(44,253)	(93,360)	—	(93,360)	(43,739)	(17,925)	(61,664)	—	(61,664)
Other impairment	(47)	(3,828)	(3,874)	(887)	(4,761)	(2,614)	(15,684)	(18,299)	(3,594)	(21,893)
Profit from associates	—	—	—	980	980	—	—	—	47	47
Profit before taxation	40,472	190,268	230,739	9,709	240,449	52,095	140,087	192,182	21,053	213,234
Total assets employed[1]	4,832,967	15,465,364	20,298,331	84,631	20,382,962	4,033,245	16,185,403	20,218,648	90,326	20,308,974
Total liabilities employed	6,729,716	12,303,494	19,033,210	46,447	19,079,656	6,023,074	13,194,382	19,217,456	32,116	19,249,572
Other segment items:										
Capital expenditure[2]	7,469	42,059	49,527	—	49,527	17,505	56,343	73,848	—	73,848
Depreciation	7,515	7,049	14,564	—	14,564	7,329	4,341	11,670	—	11,670
Interests in associates[1]	—	—	—	23,994	23,994	—	—	—	23,853	23,853
Amortisation of intangible assets	3,314	6,395	9,709	—	9,709	4,341	3,828	8,169	—	8,169

1 Interests in associates at 31 December 2008 included Rs.23,853 million previously allocated by business that has now been included in 'Corporate items not allocated.'

2 Includes capital expenditure in Wholesale Banking of Rs.29,455 million in respect of operating lease assets (31 December 2008: Rs.39,771 million).

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

4 Relates to gain on buy-back of subordinated debt, disposal of business, impairment of associates and other strategic investments and the Group's share of profit from associates.

Entity-wide information

By geography

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

	2009								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe[2] $million*	*Total $million*
Internal income	14	(18)	(62)	43	195	(42)	39	(169)	—
Net interest income	1,308	782	908	1,505	724	1,134	491	771	7,623
Fees and commissions income, net	542	291	187	502	546	494	320	488	3,370
Net trading income	456	357	322	502	259	356	221	417	2,890
Other operating income	50	180	199	336	89	136	18	293	1,301
Operating income	2,370	1,592	1,554	2,888	1,813	2,078	1,089	1,800	15,184
Operating expenses	(1,168)	(801)	(953)	(1,778)	(571)	(891)	(553)	(1,237)	(7,952)
Operating profit before impairment losses and taxation	1,202	791	601	1,110	1,242	1,187	536	563	7,232
Impairment losses on loans and advances and other credit risk provisions	(145)	(37)	(278)	(395)	(201)	(811)	(54)	(79)	(2,000)
Other impairment	10	(40)	(1)	26	19	(10)	—	(106)	(102)
(Loss)/profit from associates	(5)	—	—	29	—	—	—	(3)	21
Profits before taxation	1,062	714	322	770	1,060	366	482	375	5,151
Loans and advances to customers – average	29,194	25,938	32,372	38,972	8,351	18,972	3,316	31,336	188,451
Net interest margins (%)	1.8	1.7	1.8	2.3	3.8	3.7	4.8	1.0	2.3
Loans and advances to customers – period end	29,973	31,399	36,804	41,992	8,866	18,484	4,029	30,256	201,803
Loans and advances to banks – period end	19,453	5,085	2,780	7,232	511	1,864	300	15,708	52,933
Total assets employed[3]	91,739	62,137	63,222	83,191	31,719	44,275	13,633	91,149	481,065
Capital expenditure[4]	24	164	63	32	49	19	37	673	1,061

1 Other Asia Pacific region (''Other APR'') includes Malaysia: operating income of $488 million; operating expenses of $(207) million, impairment losses on loans and advances and other credit risk provisions of $(61) million and profit before taxation of $220 million. Total assets employed of $13,881 million.

2 Americas, UK & Europe includes operating income of $967 million and total assets employed of $76,541 million in respect of the UK, the Company's country of domicile.

3 Total assets employed includes intra-group items of $45,711 million and excludes tax assets of $1,299 million. Assets held at the centre have been distributed between geographic areas in proportion to their total assets employed.

4 Includes capital expenditure in Americas, UK and Europe of $631 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities.

	2008[5]								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe[2] $million*	*Total $million*
Internal income	1	105	(109)	25	12	16	2	(52)	—
Net interest income	1,296	364	1,234	1,575	724	991	503	700	7,387
Fees and commissions income, net	507	246	183	501	450	452	227	375	2,941
Net trading income	357	359	162	701	298	182	167	179	2,405
Other operating income	94	243	77	158	210	17	11	425	1,235
Operating income	2,255	1,317	1,547	2,960	1,694	1,658	910	1,627	13,968
Operating expenses	(1,030)	(664)	(955)	(1,721)	(646)	(821)	(564)	(1,210)	(7,611)
Operating profit before impairment losses and taxation	1,225	653	592	1,239	1,048	837	346	417	6,357
Impairment releases on loans and advances and other credit risk provisions	(183)	(15)	(263)	(436)	(133)	(185)	(33)	(73)	(1,321)
Other impairment	(52)	(30)	—	(102)	(24)	—	—	(261)	(469)
(Loss)/profit from associates	(1)	—	—	4	—	—	—	(2)	1
Profit before taxation	989	608	329	705	891	652	313	81	4,568
Loans and advances to customers – average	26,610	19,610	34,867	40,116	8,612	16,041	3,091	29,970	178,917
Net interest margin (%)	2.1	1.3	2.3	2.4	3.5	3.7	4.5	1.1	2.5
Loans and advances to customers – period end	28,004	20,349	31,763	38,366	7,863	17,476	3,642	31,049	178,512
Loans and advances to banks – period end	18,963	9,283	1,594	5,201	291	1,504	587	10,523	47,946
Total assets employed[3]	77,627	51,246	64,350	82,193	32,269	34,364	12,104	130,723	484,876
Capital expenditure[4]	25	140	59	170	178	40	31	939	1,582

1 Other APR includes Malaysia: operating income of $530 million; operating expenses of $(212) million, impairment losses on loans and advances and other credit risk provisions of $(47) million, other impairment of $(21) million and profit before taxation of $250 million. Total assets employed of $13,557 million.

2 Americas, UK & Europe includes operating income of $849 million and total assets employed of $115,900 million in respect of the UK, the Company's country of domicile.

3 Total assets employed includes intra-group items of $51,232 million and excludes tax assets of $1,424 million. Assets held at the centre have been distributed between geographic areas in proportion to their total assets employed.

4 Includes capital expenditure in Americas, UK and Europe of $852 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities.

5 As restated and explained in the relevant notes to the financial statements.

Entity-wide information

By geography

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

	2009								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific*[1] *Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe*[2] *Rs.million*	*Total Rs.million*
Internal income	654	(840)	(2,894)	2,007	9,103	(1,961)	1,821	(7,889)	—
Net interest income	61,057	36,504	42,385	70,253	33,796	52,935	22,920	35,990	355,842
Fees and commissions income, net	25,301	13,584	8,729	23,433	25,487	23,060	14,938	22,780	157,312
Net trading income	21,286	16,665	15,031	23,433	12,090	16,618	10,316	19,466	134,905
Other operating income	2,334	8,402	9,289	15,684	4,155	6,348	840	13,677	60,731
Operating income	110,632	74,315	72,541	134,812	84,631	97,001	50,835	84,024	708,789
Operating expenses	(54,522)	(37,391)	(44,486)	(82,997)	(26,654)	(41,592)	(25,814)	(57,743)	(371,199)
Operating profit before impairment losses and taxation	56,109	36,924	28,055	51,815	57,977	55,409	25,020	26,281	337,590
Impairment losses on loans and advances and other credit risk provisions	(6,769)	(1,727)	(12,977)	(18,439)	(9,383)	(37,857)	(2,521)	(3,688)	(93,360)
Other impairment	467	(1,867)	(47)	1,214	887	(467)	—	(4,948)	(4,761)
(Loss)/profit from associates	(233)	—	—	1,354	—	—	—	(140)	980
Profits before taxation	49,574	33,330	15,031	35,944	49,481	17,085	22,500	17,505	240,449
Loans and advances to customers – average	1,362,776	1,210,786	1,511,125	1,819,213	389,825	885,613	154,791	1,462,764	8,796,893
Net interest margins (%)	1.8	1.7	1.8	2.3	3.8	3.7	4.8	1.0	2.3
Loans and advances to customers – period end	1,399,140	1,465,705	1,718,011	1,960,187	413,865	862,833	188,074	1,412,350	9,420,164
Loans and advances to banks – period end	908,066	237,368	129,770	337,590	23,853	87,012	14,004	733,249	2,470,912
Total assets employed[3]	4,282,377	2,900,555	2,951,203	3,883,356	1,480,643	2,066,757	636,388	4,254,835	22,456,114
Capital expenditure[4]	1,120	7,656	2,941	1,494	2,287	887	1,727	31,416	49,527

1 Other APR includes Malaysia: operating income of Rs.22,780 million; operating expenses of Rs.(9,663) million, impairment losses on loans and advances and other credit risk provisions of Rs.2,847 million and profit before taxation of Rs.10,270 million. Total assets employed of Rs.647,965 million.

2 Americas, UK & Europe includes operating income of Rs.45,140 million and total assets employed of Rs.3,572,934 million in respect of the UK, the Company's country of domicile.

3 Total assets employed includes intra-group items of Rs.2,133,789 million and excludes tax assets of Rs.60,637 million. Assets held at the centre have been distributed between geographic areas in proportion to their total assets employed.

4 Includes capital expenditure in Americas, UK and Europe of Rs.29,455 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities.

	2008[5]								
	Asia Pacific								
	Hong Kong Rs.million	Singapore Rs.million	Korea Rs.million	Other Asia Pacific[1] Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe[2] Rs.million	Total Rs.million
Internal income	47	4,901	(5,088)	1,167	560	747	93	(2,427)	—
Net interest income	60,497	16,992	57,603	73,521	33,796	46,260	23,480	32,676	344,825
Fees and commissions income, net	23,667	11,483	8,542	23,387	21,006	21,099	10,596	17,505	137,286
Net trading income	16,665	16,758	7,562	32,723	13,911	8,496	7,796	8,356	112,265
Other operating income	4,388	11,343	3,594	7,375	9,803	794	513	19,839	57,650
Operating income	105,263	61,478	72,214	138,173	79,076	77,395	42,479	75,948	652,026
Operating expenses	(48,080)	(30,996)	(44,579)	(80,336)	(30,155)	(38,324)	(26,328)	(56,483)	(355,281)
Operating profit before impairment losses and taxation	57,183	30,482	27,635	57,837	48,921	39,071	16,151	19,466	296,745
Impairment releases on loans and advances and other credit risk provisions	(8,542)	(700)	(12,277)	(20,352)	(6,208)	(8,636)	(1,540)	(3,408)	(61,664)
Other impairment	(2,427)	(1,400)	—	(4,761)	(1,120)	—	—	(12,183)	(21,893)
(Loss)/profit from associates	(47)	—	—	187	—	—	—	(93)	47
Profit before taxation	46,167	28,381	15,358	32,909	41,592	30,435	14,611	3,781	213,234
Loans and advances to customers – average	1,242,155	915,395	1,627,592	1,872,615	402,008	748,794	144,288	1,399,000	8,351,846
Net interest margin (%)	2.1	1.3	2.3	2.4	3.5	3.7	4.5	1.1	2.5
Loans and advances to customers – period end	1,307,227	949,891	1,482,697	1,790,925	367,045	815,780	170,009	1,449,367	8,332,940
Loans and advances to banks – period end	885,193	433,330	74,408	242,783	13,584	70,207	27,401	491,214	2,238,119
Total assets employed[3]	3,623,628	2,392,163	3,003,858	3,836,769	1,506,317	1,604,112	565,015	6,102,150	22,634,012
Capital expenditure[4]	1,167	6,535	2,754	7,936	8,309	1,867	1,447	43,833	73,848

1 Other APR includes Malaysia: operating income of Rs.24,740 million; operating expenses of Rs.(9,896) million, impairment losses on loans and advances and other credit risk provisions of Rs.(2,194) million, other impairment of Rs.(980) million and profit before taxation of Rs.11,670 million. Total assets employed of Rs.632,841 million.

2 Americas, UK & Europe includes operating income of Rs.39,631 million and total assets employed of Rs.5,410,212 million in respect of the UK, the Company's country of domicile.

3 Total assets employed includes intra-group items of Rs.2,391,510 million and excludes tax assets of Rs.66,472 million. Assets held at the centre have been distributed between geographic areas in proportion to their total assets employed.

4 Includes capital expenditure in Americas, UK and Europe of Rs.39,771 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities.

5 As restated and explained in the relevant notes to the financial statements.

Consumer Banking

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

	2009								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Consumer Banking Total $million
Operating income	1,082	635	995	1,283	444	678	351	161	5,629
Operating expenses	(604)	(297)	(701)	(1,046)	(248)	(395)	(229)	(189)	(3,709)
Loan impairment	(104)	(34)	(185)	(240)	(147)	(285)	(28)	(29)	(1,052)
Other impairment	5	—	(1)	(2)	5	—	—	(8)	(1)
Operating profit/(loss)	379	304	108	(5)	54	(2)	94	(65)	867

1 Other APR includes Malaysia : operating income $246 million, operating expenses $(122) million, loan impairment $(53) million, operating profit $71 million.

	2008								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe $million*	*Consumer Banking Total $million*
Operating income	1,163	618	1,017	1,393	484	700	344	233	5,952
Operating expenses	(587)	(289)	(726)	(1,007)	(317)	(410)	(250)	(257)	(3,843)
Loan impairment	(106)	(20)	(161)	(311)	(89)	(178)	(19)	(53)	(937)
Other impairment	(25)	—	—	(2)	(7)	—	—	(22)	(56)
Operating profit/(loss)	445	309	130	73	71	112	75	(99)	1,116

1 Other APR includes Malaysia : operating income $265 million, operating expenses $(128) million, loan impairment $(48) million, operating profit $89 million.

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

Operating income by product	*2009 US$million*	*2008 US$million*	*2009 vs 2008%*
Cards, Personal Loans and Unsecured Lending	1,992	2,106	(5)
Wealth Management and Deposits	2,232	2,789	(20)
Mortgages and Auto Finance	1,244	928	34
Other	161	129	25
Total operating income	5,629	5,952	(5)

Consumer Banking

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

	2009								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific[1] Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Consumer Banking Total Rs.million*
Operating income	50,508	29,642	46,447	59,890	20,726	31,649	16,385	7,515	262,762
Operating expenses	(28,195)	(13,864)	(32,723)	(48,827)	(11,577)	(18,439)	(10,690)	(8,823)	(173,136)
Loan impairment	(4,855)	(1,587)	(8,636)	(11,203)	(6,862)	(13,304)	(1,307)	(1,354)	(49,107)
Other impairment	233	—	(47)	(93)	233	—	—	(373)	(47)
Operating profit/(loss)	17,692	14,191	5,041	(233)	2,521	(93)	4,388	(3,034)	40,472

1 Other APR includes Malaysia : operating income Rs.11,483 million, operating expenses Rs.(5,695) million, loan impairment Rs.(2,474) million, operating profit Rs.3,314 million.

	2008								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific[1] Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Consumer Banking Total Rs.million*
Operating income	54,289	28,848	47,474	65,025	22,593	32,676	16,058	10,876	277,839
Operating expenses	(27,401)	(13,491)	(33,890)	(47,007)	(14,798)	(19,139)	(11,670)	(11,997)	(179,391)
Loan impairment	(4,948)	(934)	(7,515)	(14,517)	(4,155)	(8,309)	(887)	(2,474)	(43,739)
Other impairment	(1,167)	—	—	(93)	(327)	—	—	(1,027)	(2,614)
Operating profit/(loss)	20,773	14,424	6,068	3,408	3,314	5,228	3,501	(4,621)	52,095

1 Other APR includes Malaysia : operating income Rs.12,370 million, operating expenses Rs.(5,975) million, loan impairment Rs.(2,241) million, operating profit Rs.4,155 million.

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

Operating income by product	*2009* *Rs.million*	*2008* *Rs.million*	*2009 vs 2008%*
Cards, Personal Loans and Unsecured Lending	92,987	98,308	(5)
Wealth Management and Deposits	104,190	130,191	(20)
Mortgages and Auto Finance	58,070	43,319	34
Other	7,515	6,022	25
Total operating income	262,762	277,839	(5)

Consumer Banking continued the execution of its transformation initiative, delivering early results, despite an economic and business environment that remained challenging.

The early part of 2009 saw a continuation of the difficult trading conditions of 2008 with low interest rates, compressed liability margins, subdued demand for Wealth Management products and challenging credit conditions. The second half of 2009 was more encouraging for the Consumer Banking business. Demand for Wealth Management products continued to recover, secured lending volumes were up and margins improved. As the credit environment improved, loan impairment fell. As profitability improved, the Company accelerated investment.

These factors affected all of the Company's Consumer Banking markets, whose results were further affected by adverse currency translation impacts.

Full year operating income fell US$323 million or 5% to US$5,629 million. On a constant currency basis, income was flat to 2008. Second half income was up 10% on first half and 6% on a constant currency basis.

Net interest income dropped US$331 million, or 8%, to US$3,815 million. There was good growth in mortgage lending with balances up 21% over the year and improved margins on 2008. However, even though liability balances were up 12% on 2008, liability margins remained 60 basis points lower pushing down net interest income.

Non interest income at US$1,814 million was flat to that of the previous year. Sales of Wealth Management products comprise the majority of non interest income and demand for these products reduced sharply in late 2008. Since that time there has been consistent steady growth in Wealth Management income on a quarter by quarter basis.

Expenses were down US$134 million, or 3%, to US$3,709 million. On a constant currency basis, they were up 2%. Expenses included a $170 million charge in the first half for the buy back of structured notes issued by the PEM Group in Taiwan. This was offset by some reduction in the workforce as well as other efficiency measures, which in the latter part of the year created room for investment in relationship managers, infrastructure and products.

Loan impairment increased by US$115 million, or 12%, to US$1,052 million. In the first half of 2009, difficult credit conditions continued driving up impairment across all markets, mainly in the unsecured and SME portfolios. The portfolios have been actively de-risked and with an improving economic environment delinquency rates also improved in the second half of the year. Loan impairment was 13% down on the first half.

Operating profit fell US$249 million, or 22%, to US$867 million, but second half operating profit was 49% up on the first half.

Consumer Banking continued to be an important source of liquidity for the Group. Liabilities grew by 12% driven by Priority customers and a 21% increase in SME balances. The mix of deposits was also improved by reducing time and other deposits and increasing the relatively less expensive and more stable current and savings accounts (CASA). CASA is now 60% of the deposit base, up from 44% in the previous year.

Product performance

Income from Cards, Personal Loans and Unsecured Lending fell $114 million, or 5%, to $1,992 million. This fall was driven by the Company's Consumer Banking strategy to de-emphasise unsecured lending in the light of stressed credit conditions in markets such as India, Taiwan and Pakistan. The decline in income was partially offset by volume gains in Korea, Hong Kong and China.

Income from Wealth Management and Deposits fell $557 million, or 20%, to $2,232 million. Income has been driven down by two significant factors. Firstly customer demand for Wealth Management products is still well below the levels seen in early 2008, although it has been steadily increasing and income has grown quarter on quarter throughout 2009. Secondly, deposit balances grew by $13 billion helped by enhancement of online banking capabilities and increasing co-operation with Wholesale Banking to source payroll accounts; this volume growth has, however, been insufficient to offset the margin compression of 60 basis points.

Income from Mortgages and Auto Finance (Mortgages) grew by $316 million, or 34%, to $1,244 million. This strong growth was driven by the Company's focus on lower risk secured lending products. Net interest margins improved year on year due to lower funding expenses and mortgage re-pricing. The improving property market, especially in countries such as Singapore and Hong Kong has supported new mortgage business in the latter part of the year.

Geographic performance

Hong Kong

Income was down $81 million, or 7%, to $1,082 million. To compensate for a subdued Wealth Management contribution the business focused on growing secured lending. Mortgage balances, including in the SME book, grew $2 billion, or 16%, driven by successful HIBOR-linked mortgage campaigns. Income from these mortgages was also supported by a widening of the Prime-HIBOR spread. The Group captured approximately 17% of all new Mortgage business booked in Hong Kong, up from 15.5% in 2008. SME lending increased by 28%. Fee income from unit trust sales started to pick up again in the latter part of the year amongst signs of an increase in demand for structured products. Operating expenses were marginally higher at $604 million. Discretionary spend was carefully managed and headcount fell primarily through natural attrition. Working profit was down $98 million, or 17%, to $478 million. Loan impairment remained flat at $104 million. In the latter part of 2008 loan impairment from the SME segment had increased. The upward trend was stopped by the Hong Kong Government's SME loan guarantee scheme which now covers all the Company's new SME exposures in Hong Kong. Personal bankruptcies peaked in April 2009 but have since reduced. Operating profit fell $66 million, or 15%, to $379 million.

Singapore

Income was up $17 million, or 3%, to $635 million. Wealth Management revenue remained under pressure though campaigns like E$aver top-up deposit helped to grow liabilities by 15%. Income from mortgages grew by 28%. Whilst mortgage margins remained flat, there was good volume growth driven by customer focussed product innovations such as 'MortgageOne SIBOR'. There was also double digit income growth in unsecured lending as the business grew market share. SME income increased as volumes grew supported by the Singapore Government guarantee scheme. The Company was the leading bank disbursing these government guaranteed loans in 2009. Operating expenses increased $8 million, or 3%, to $297 million, with investment in frontline marketing and infrastructure being largely funded by operational savings. Working profit was up $9 million, or 3%, at $338 million. Loan impairment was up $14 million, or 70%, to $34 million driven primarily by SME related impairments in the first half of the year. The introduction of guarantees improved the profile of the Company's SME book and impairment was substantially reduced in the second half. Operating profit was slightly lower by $5 million or 2% at $304 million.

Korea

Income was down $22 million, or 2%, to $995 million. On a constant currency, basis income was up 13% year on year. Wealth Management and Deposit income fell 25%. SME income was also down by over 30% as the business reduced unsecured lending products such as Business Instalment Loans. These were offset by double digit income growth in mortgages driven by strong sales volumes and increasing margins. Income also benefitted in the second half by $68 million profit from the sale of the Company's investment in BC Cards. Operating expenses were down $25 million, or 3%, to $701 million. On a constant currency basis, they were 13% higher, largely driven by investment in infrastructure such as refurbishing and renovation work undertaken on the Company's property portfolio and the opening of 47 new branches The increase is distorted by a previous year curtailment release from the retirement plan. Working profit was flat at $294 million. Loan impairment was up $24 million, or 15%, to $185 million driven by unsecured lending as bankruptcies and industry debt restructuring increased. Loan impairment in the second half of 2009 fell 41% on the first half as the

SME portfolio continued to be de-risked and the environment improved. Operating profit was down $22 million, or 17%, to $108 million, equating to a 10% fall on a constant currency basis.

Other Asia Pacific

Income was down $110 million, or 8%, to $1,283 million. All countries in Other APR were adversely impacted by the slow down in Wealth Management. Income in China was up 20% to $172 million driven by strong volume growth in personal loans and mortgages and improved asset margins. Income in Taiwan was severely affected by margin compression. However, there was strong double digit growth in Mortgage income as balances grew 10% year on year. Income in Malaysia was down 7% to $246 million adversely impacted by the low interest rates. Operating expenses in Other APR, including Malaysia, were up $39 million, or 4%, to $1,046 million. Expenses across the region were generally flat or down, with Taiwan driving the increase. This was due to the $170 million charge for the buy back of structured notes issued by the PEM Group, partly offset by a reduction in retirement obligations of $52 million. Efficiency gains in China enabled expenses to be held 4% lower at $228 million whilst investing in four new outlets. Other APR working profit was down $149 million, or 39%, to $237 million. Loan impairment was down $71 million, or 23%, to $240 million. Taiwan delivered a $57 million reduction and Thailand a $22 million reduction in impairment as enhanced collection efforts took effect and delinquency rates improved. Loan impairment in China also reduced by $11 million to $3 million as portfolios improved resulting in a reduction in the operating loss in Consumer Banking to $60 million. Other APR delivered an operating loss of $5 million against a profit of $73 million in 2008.

India

Income was down $40 million, or 8%, to $444 million. On a constant currency basis, income was up by 1%. As in other geographies Wealth Management was under pressure and income was down on 2008. The mortgages business, whilst growing from a small base, delivered a 75% increase in income as volumes grew and margins doubled. SME income was driven by the growth in both secured lending and deposit volumes. Operating expenses were $69 million, or 22%, lower at $248 million. On a constant currency basis, expenses were lower by 14%. Expenses benefitted from a service tax rebate, but also from tight cost control coupled with restructuring initiatives such as consolidation of contact centres. Investment in the franchise continued with four new branch openings and continued refurbishment of the existing branch network. Working profit was up $29 million, or 17%, to $196 million. On a constant currency basis, the growth in working profit was 28%. Loan impairment was up $58 million, or 65%, to $147 million driven by increased delinquencies on unsecured SME and personal lending products. Operating profit was lower by $17 million, or 24%, at $54 million. On a constant currency basis, operating profit was lower by 18%.

MESA

Income was down $22 million, or 3%, to $678 million. The reduction in total MESA income was largely driven by Pakistan where customer lending was significantly reduced and margin compression offset strong deposit growth. In UAE, income was flat year on year and was impacted by a reduction of the high-yield personal loan portfolio in light of economic stress and tighter underwriting criteria. Wealth Management had a difficult first half, but recovered in the latter part of the year. Operating expenses in MESA were lower by $15 million, or 4%, at $395 million. Pakistan expenses fell by $21 million or 16% mainly due to exchange rate movements and efficiency initiatives. UAE expenses were up by $14 million or 9% with investment in Private Banking and branch refurbishment. Working profit for MESA was down $7 million, or 2%, to $283 million. Loan impairment was higher at $285 million, 60% up on 2008. This was predominantly in UAE where loan impairment more than doubled as unemployment increased. This resulted in higher delinquency on unsecured lending and some stress in the mortgage book. MESA delivered an operating loss of $2 million, compared to an operating profit of $112 million in 2008.

Africa

Income was up $7 million, or 2%, at $351 million. On a constant currency basis, income growth was 20%. Wealth Management and Deposits fared relatively well compared to the other Consumer Banking markets with income growing 6%. Nigeria, Ghana and Kenya all drove income growth with the liability businesses. In addition, a new strategic partnership for distribution of bancassurance products increased fee income. There was strong momentum in SME. Operating expenses were $21 million, or 8%, lower at $229 million. On a constant currency basis, expenses were higher by 7% and were driven by investments to strengthen the distribution network as well as the introduction of new product offerings. Working profit in Africa was up $28 million, or 30%, at $122 million. On a constant currency basis, the increase in working profit was 55%. Loan impairment was up $9 million, or 47%, to $28 million. Loan impairment increased in unsecured lending reflecting increased unemployment in several countries. Operating profit increased $19 million, or 25%, to $94 million. On a constant currency basis, operating profit grew 52%.

Americas, UK & Europe

Income fell $72 million or 31% from $233 million to $161 million. The business in this region is primarily Private Banking and thus has been disproportionately affected by the challenges faced by the Wealth Management products globally. Depressed world stock markets and low investor confidence resulted in a fall in assets under management (AUM) of 15%, or $2.0 billion with a corresponding income decline. Low interest rates resulted in a squeeze in liability margins. Operating expenses fell $68 million or 26% through disciplined cost management and a significant reduction in American Express Bank (AEB) integration expenses. Impairment was lower by $24 million or 45%. Operating loss fell from $99 million to $65 million, largely driven by cost efficiencies.

Wholesale Banking

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

	2009								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe $million*	*Wholesale Banking Total $million*
Operating income	1,288	957	559	1,605	1,369	1,400	738	1,375	9,291
Operating expenses	(564)	(504)	(252)	(732)	(323)	(496)	(324)	(990)	(4,185)
Loan impairment	(41)	(3)	(93)	(155)	(54)	(526)	(26)	(50)	(948)
Other impairment	5	(40)	—	28	14	(10)	—	(79)	(82)
Operating profit	688	410	214	746	1,006	368	388	256	4,076

1 Other APR includes Malaysia operating income $242 million, operating expenses $85 million, loan impairment $8 million, operating profit $149 million.

	2008[1]								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[2] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe $million*	*Wholesale Banking Total $million*
Operating income	1,092	699	530	1,567	1,064	958	566	1,013	7,489
Operating expenses	(443)	(375)	(229)	(714)	(329)	(411)	(314)	(953)	(3,768)
Loan impairment	(77)	5	(102)	(125)	(44)	(7)	(14)	(20)	(384)
Other impairment	(27)	(30)	—	(100)	(17)	—	—	(162)	(336)
Operating profit/(loss)	545	299	199	628	674	540	238	(122)	3,001

1 Geographic amounts as restated and explained in the relevant notes to the financial statements. There is no change to the Group's total operating income or operating income by product for 2008.

2 Other APR includes Malaysia operating income $265 million, operating expenses $84 million, loan impairment $1 million, other impairment $21 million, operating profit $161 million.

Wholesale Banking

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

	2009								
	Asia Pacific								
	Hong Kong Rs.million	Singapore Rs.million	Korea Rs.million	Other Asia Pacific[1] Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Wholesale Banking Total Rs.million
Operating income	60,124	44,673	26,094	74,921	63,905	65,352	34,450	64,185	433,704
Operating expenses	26,328	23,527	11,763	34,170	15,078	23,153	15,124	46,213	195,356
Loan impairment	1,914	140	4,341	7,235	2,521	24,554	1,214	2,334	44,253
Other impairment	233	1,867	—	1,307	654	467	—	3,688	3,828
Operating profit	32,116	19,139	9,990	34,823	46,960	17,178	18,112	11,950	190,268

1 Other APR includes Malaysia operating income Rs.11,297 million, operating expenses Rs.(3,968) million, loan impairment Rs.(373) million, operating profit Rs.6,955 million.

	2008[1]								
	Asia Pacific								
	Hong Kong Rs.million	Singapore Rs.million	Korea Rs.million	Other Asia Pacific[2] Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Wholesale Banking Total Rs.million
Operating income	50,975	32,629	24,740	73,148	49,668	44,719	26,421	47,287	349,587
Operating expenses	20,679	17,505	10,690	33,330	15,358	19,185	14,658	44,486	175,890
Loan impairment	3,594	233	4,761	5,835	2,054	327	654	934	17,925
Other impairment	1,260	1,400	—	4,668	794	—	—	7,562	15,684
Operating profit/(loss)	25,441	13,957	9,289	29,315	31,462	25,207	11,110	5,695	140,087

1 Geographic amounts as restated and explained in the relevant notes to the financial statements. There is no change to the Group's total operating income or operating income by product for 2008.

2 Other APR includes Malaysia operating income Rs.12,370 million, operating expenses Rs.(3,921) million, loan impairment Rs.47 million, other impairment Rs.(980) million, operating profit Rs.7,515 million.

Income by product is set out below:

Operating income by product	*2009 $million*	*2008 $million*	*2009 vs 2008 %*
Lending and Portfolio Management	849	551	54
Transaction Banking	2,537	2,663	(5)
Global Markets[1]			
Financial Markets	3,311	2,365	40
Asset and Liability Management (ALM)	963	912	6
Corporate Finance	1,294	745	74
Principal Finance	337	253	33
Total Global Markets	5,905	4,275	38
Total operating income	9,291	7,489	24

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

Financial Markets operating income by desk	*2009 $million*	*2008 $million*	*2009 vs 2008 %*
Foreign Exchange	1,349	1,194	13
Rates	879	748	18
Commodities and Equities	389	141	176
Capital Markets	409	234	75
Credit and Other	285	48	494
Total Financial Markets operating income	3,311	2,365	40

Operating income by product	*2009 Rs.million*	*2008 Rs.million*	*2009 vs 2008 %*
Lending and Portfolio Management	39,631	25,721	54
Transaction Banking	118,427	124,309	(5)
Global Markets[1]			
Financial Markets	154,557	110,398	40
Asset and Liability Management (ALM)	44,953	42,572	6
Corporate Finance	60,404	34,777	74
Principal Finance	15,731	11,810	33
Total Global Markets	275,645	199,557	38
Total operating income	433,704	349,587	24

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

Financial Markets operating income by desk	*2009 Rs.million*	*2008 Rs.million*	*2009 vs 2008 %*
Foreign Exchange	62,971	55,736	13
Rates	41,032	34,917	18
Commodities and Equities	18,159	6,582	176
Capital Markets	19,092	10,923	75
Credit and Other	13,304	2,241	494
Total Financial Markets operating income	154,557	110,398	40

Wholesale Banking has had another excellent year, with broad based income growth driven by continued client income momentum, which remains the cornerstone of a consistent and well executed strategy.

The market dislocation and volatility in the early part of 2009 enabled Wholesale Banking to drive exceptionally strong income growth. The business made gains in market share and benefited from increased asset margins. Competitors remained distracted and ALM benefited from strong accrual income as a result of strategic positioning in late 2008. However low interest rates drove Cash and Custody income down and stressed economic conditions fuelled loan impairment. As economic conditions moderated in the second half so did income growth. Client income remained robust and there was good underlying volume growth in the lending and flow businesses. Loan impairment moderated as the economic conditions improved.

Operating income grew $1,802 million, or 24%, to $9,291 million. On a constant currency basis, operating income increased 30%.

Net interest income was up $567 million, or 17%, to $3,808 million. Non-interest income was up $1,235 million, or 29%, to $5,483 million. Client income represented 74% of total income and was up 22% on the previous year.

Operating expenses grew $417 million, or 11%, to $4,185 million. On a constant currency basis, the increase in expenses was 15%. This increase, which was well below income growth, was driven by staff costs. The business continued to invest in specialist skills and expertise, building in areas such as sales, trading and financial institutions teams.

Working profit increased $1,385 million, or 37%, to $5,106 million. On a constant currency basis, the increase in working profit was 45%.

Loan impairment increased by $564 million to $948 million reflecting the challenging economic environment. A significant portion of the impairment arose in MESA while other markets such as Korea, India and Other APR were also impacted but to a lesser extent. The portfolio remains well diversified and is increasingly well collateralised.

Other impairment was lower by $254 million, or 76%, at $82 million. The 2008 charge reflected a fall in equity and other markets and a drop in value on the ABS, private equity and strategic investment portfolios. In 2009, as economic conditions moderated, impairment reduced. The business also benefitted from recoveries on disposal of private equity and strategic investments.

Operating profit increased $1,075 million, or 36%, to $4,076 million and constitutes nearly 80% of the Group profits. On a constant currency basis, the increase was 44%. Second half operating profit was down 19% on first half as spreads narrowed and volatility reduced.

Product performance

Lending and Portfolio Management income increased by $298 million, or 54%, to $849 million. This was primarily driven by improved margins through re-pricing and an increase in fee income from new deals.

Transaction banking income fell by $126 million, or 5%, to $2,537 million. Despite a 10% fall in volumes, trade income grew by 26% as margins increased. Cash income fell by 23% due to margin compression in a low interest rate environment. However, the business continues to gain significant cash management mandates and volumes increased by some 21%.

Global Markets income increased by $1,630 million, or 38%, to $5,905 million.

Within Global Markets, the Financial Markets (FM) business was the largest contributor. Income was up $946 million, or 40%, to $3,311 million. The FM business primarily comprises sales and the trading of exchange and interest rate products. In 2009, there has been diversification of income streams with increased contributions from commodity, equity and credit derivatives. Nearly 70% of FM income was client driven. This included the sale of products to meet client's hedging requirements, supported through upgraded risk management capabilities. The Company was favourably positioned to meet client demand for risk management solutions in a volatile and uncertain market, benefitting from wider bid-offer spreads and the rates business had a record year. This FM flow trading arose by virtue of being a market maker and was a key driver for the increase in own account income, which for the Group, also comprises ALM and Principal Finance.

The commodities and equities business delivered impressive growth of 176% driven by opportunities arising in the energy and metals business, most notably in Africa. In the equities business, there was significant growth with strong primary deal flows.

ALM income was up $51 million, or 6%, at $963 million. Positions put on at the end of 2008 captured both high fixed interest rates and wide credit spreads benefitting from lower funding rates. In addition to sales from the AFS portfolio, re-investment throughout 2009 in relatively steep curves generated income on accruals.

Corporate Finance income was up $549 million, or 74%, to $1,294 million with strong income growth across all products. Much of this growth was driven by Corporate Advisory, where income more than doubled, driven by a number of landmark deals in India and Africa.

Principal Finance income was up $84 million, or 33% higher, at $337 million and realisations benefited as Asian market prices rose.

Geographic performance

The Group maintains a Global Booking Unit (GBU) in the UK in which are recorded the income and expenses related to the private equity portfolio, portfolio management and some FM products. In 2008 income and expenses related to the private equity portfolio were apportioned and reported across a number of geographies and the remainder of the GBU was reported in Americas, UK & Europe. In 2009, FM income and expenses have also apportioned over other geographies to better align financial reporting with underlying organisational changes. In order to facilitate a more meaningful comparison, the 2008 Wholesale Banking geography split has been restated. The geographic performance commentary is based on the restated 2008 numbers. The restatement does not affect the Group's total operating income.

Hong Kong

Income was up $196 million or 18%, to $1,288 million. Both Fixed Income and ALM increased income capturing opportunities arising from volatile interest rates and FX markets. Lending and Trade income both grew as re-pricing actions widened margins; the former also benefitted from increased volumes. However these advances were offset by shrinking margins in Cash and Custody and lower AUM. Operating expenses grew $121 million, or 27%, to $564 million driven by higher staff costs and increased investment in infrastructure including a new dealing room. Working profit was up $75 million, or 12%, to $724 million. Loan impairment was lower by $36 million, down almost a half, compared to 2008. Proactive engagement in debt relief plans helped mitigate impairment. Other impairment reflects some recovery on realisation of previously impaired investments. Operating profit was up $143 million or 26%, at $688 million.

Singapore

Income grew $258 million, or 37%, to $957 million. Client income benefitted from increased Trade Finance, a number of Corporate Finance deals and increased volumes through the offshore banking unit. Trading income was driven higher by fixed income being well positioned to take advantage of volatile market conditions. Operating expenses grew $129 million, or 34%, to $504 million. Staff related costs constituted a major part of the increase. The full year impact of prior year hiring together with an increase in front line, client facing staff, drove up staff expenses. This hiring activity represents investment in specialist teams in areas such as commodities, options and interest rate derivatives and has helped drive income growth as evident from the positive jaws. Working profit was up 40% at $453 million. Other impairment of $40 million represents provisions made against private equity investments. Operating profit was up $111 million, or 37%, at $410 million.

Korea

Income at $559 million was up $29 million or 5%. On a constant currency basis, income was 22% higher. Client income grew substantially, driven by strong business momentum across all product lines including Transaction Banking, Lending and FM sales. Own account income was down as ALM accruals were adversely impacted by re-pricing. Operating expenses were higher by $23 million, or 10%, at $252 million. On a constant currency basis, expenses rose 27%. The increase is distorted by a prior year curtailment release from the retirement plan. Underlying expense growth was driven by the flow through of previous year investments in infrastructure expansion. Working profit was slightly up by $6 million, or 2%, at $307 million. On a constant currency basis, working profit rose 18%. Loan impairment was down 9% at $93 million, primarily comprising provisions raised in respect of exposures on certain foreign exchange transactions. Operating profit was up by $15 million, or 8%, at $214 million. On a constant currency basis, operating profit rose 25%.

Other Asia Pacific

Income was up $38 million, or 2%, at $1,605 million. Across Other APR, lending income increased through higher margins. However this was offset by lower income from Transaction Banking which was impacted by lower margins in a low interest rate environment and intense competition. In China, a major component of Other APR, income grew by 16% to $566 million with further benefit from the Private Equity portfolio. In Taiwan, income was down 19% due to margin compression in both cash and custody despite record liability levels. Other APR operating expenses were up $18 million, or 3%, to $732 million. Expenses increased as a result of staff and premises costs and flow through from prior year investments. China operating expenses were up 10% to $252 million. In Taiwan, operating expenses were down 9% reflecting a reduction in retirement obligations. Working profit in Other APR was higher by 2% at $873 million. Loan impairment was up $30 million from $125 million in 2008.

The increase was driven by Thailand and Japan. In China, loan impairment reduced by $4 million to $9 million. In Taiwan, the results of recovery actions offset new loan impairment charges. Other impairment benefitted from the reversal of prior year provisions on sale of private equity investments. Operating profit was $118 million, or 19%, higher at $746 million. China operating profit was $333 million.

India

Income grew $305 million or 29%, to $1,369 million. On a constant currency basis income growth was 43%. Income growth was broad based across all products. Trade and lending income was up through re-pricing and higher margins. Corporate Advisory income grew on the back of cross border financing and leveraging deal structuring capabilities. This helped offset reduced cash and custody income which was impacted by margin compression and sluggish equity markets. Operating expenses of $323 million were flat to 2008. On a constant currency basis, expenses were higher by 8%, driven by staff and premises related costs, partially offset by a service tax rebate. Working profit was up $311 million, or 42%, at $1,046 million. On a constant currency basis, working profit grew 59%. Loan impairment was up $10 million, or 23%, at $54 million driven by middle market clients. Other impairment release of $14 million reflects a recovery on Private Equity disposals compared to a $17 million charge in 2008. Operating profit was up $332 million, or 49%, to $1,006 million. On a constant currency basis operating profit grew 67%. This constitutes 20% of the Group's operating profit and makes India the first geography within the Wholesale Banking business to generate profits in excess of one billion dollars.

MESA

Income was up $442 million, or 46%, to $1,400 million driven by increases in both client and own account income. Capital Markets grew income benefitting from bond mandates including a number of Sukuks. Islamic banking income doubled to $120 million. UAE led income growth with an overall increase of 74%. Qatar income doubled driven by client revenue, principally FX sales and commodity derivatives. Bahrain income grew 28% driven by lending volumes and re-pricing, large Corporate Advisory deals and a strong Islamic banking performance. Pakistan was affected by political and economic uncertainty which impacted business sentiment. MESA operating expenses were up $85 million, or 21%, to $496 million driven by staff and investment expenditure. MESA working profit was up $357 million, or 65%, to $904 million. Loan impairment was up by $519 million over 2008. A substantial portion of this increase relates to individual impairment charges on corporate exposure in the Gulf and an increased portfolio impairment provision for the region generally. The total loan portfolio is $14 billion of which $10 billion is in the UAE. Certain high profile entities within this portfolio have experienced stress. The Company's exposure to these entities is around $500 million. The resolution process is ongoing, but in the event losses arise, the Company does not expect they would be material. Operating profit was $172 million, or 32%, lower than the previous year.

Africa

Income was up $172 million or 30%, to $738 million. On a constant currency basis, income grew 54% driven by excellent corporate finance and capital markets performances. Trade and Lending income increased on higher volumes benefitting from Asia trade flows coupled with aggressive re-pricing. This increase in income helped offset a fall in cash income where higher volumes could only partially make up for margin compression. Corporate Finance benefitted from several landmark deals. Whilst South Africa and Ghana registered particularly strong income growth, other major markets such as Nigeria, Kenya, Zambia and Uganda have all delivered broad based income growth. Operating expenses were up $10 million, or 3%, to $324 million. On a constant currency basis expenses were 18% higher reflecting investments in people and infrastructure. Working profit was up $162 million or 64%, to $414 million. The loan impairment charge remained low at $26 million. Operating profit was up $150 million, or 63%, to $388 million. On a constant currency basis operating profit doubled.

Americas, UK & Europe

Income was higher by $362 million, or 36%, to $1,375 million. In 2009, there was broad based income growth in Commercial Banking and Trading income. Lending and Trade saw volume increases and re-pricing actions, which helped offset the drop in Cash income.

The fixed income business was primarily driven by the growth in rates and commodities and equity derivative business. Trading income benefitted from favourable ALM accruals in a low interest rate environment and from sales from the AFS portfolio.

Operating expenses were higher by $37 million at $990 million. Staff expense increases were partially offset through a reduction in premises and other costs as synergies from the successful integration of AEB. Working profit grew $325 million. Impairment was higher by $30 million or 150%. Other impairment was $79 million down by $83 million from 2008 which reflected write down of strategic investments. Operating profit was $256 million compared to an operating loss of $122 million in the previous year. The fixed income business was primarily driven by the growth in rates and commodities and equity derivative business. Trading income benefited from favourable ALM accruals in a low interest rate environment and from sales from the AFS portfolio.

Risk management review for the financial year ended 31 December 2009

In the first quarter of 2009, economic conditions in much of the Company's footprint continued to worsen, but by the second half of the year credit conditions had generally begun to improve as the worst of the global financial crisis passed.

In Consumer Banking there was a moderate increase in loan impairment in the first half of the year, as trends that became evident during the fourth quarter of 2008 continued into 2009. This was primarily driven by unsecured portfolios impacted by rising unemployment and bankruptcy rates. The unsecured portfolios most affected were in Hong Kong and Korea where bankruptcy and debt restructuring programme filings increased markedly, in India where consumer leverage was particularly high, and in UAE where there was a rise in unemployment rates and a significant fall in property values.

In the second half of the year, as credit conditions improved, delinquency and impairment rates across most of the Company's principal markets and product portfolios improved, and came back down below levels experienced at the end of 2008.

In Wholesale Banking loan impairment rose in the first half of 2009 relative to the second half of 2008. The increase occurred primarily in the Local Corporates portfolio, where the effects of the deteriorating economic environment were most acutely felt. However, in the context of gradually improving credit conditions, Wholesale Banking impairment in the second half of 2009 was lower than in the first half of 2009. A large portion of Wholesale Banking impairment for 2009 was concentrated on a very small number of accounts.

Elsewhere, the portfolio remained resilient. There were non-material levels of impairment on the ABS portfolio in 2009. The carrying value of the ABS portfolio reduced, primarily as a result of redemptions and some sales. The overall quality of the ABS book remains good with no direct US sub-prime, and minimal Alt-A, exposures. The Company's net exposure to ABS represents less than one per cent of total Group assets and has had limited impact on the Company's performance.

Sharp increases in the volatility of credit spreads following the collapse of Lehman Brothers in September 2008 drove an increase in non-trading book VaR through most of 2009, which in turn was a key factor in an increase in total average VaR in 2009 compared to 2008.

Principal uncertainties

The Company is in the business of taking selected risks to generate shareholder value, and the Company seeks to contain and mitigate these risks to ensure they remain within its risk appetite and are adequately compensated. However, risks are by their nature uncertain and the management of risk relies on judgments and predictions about the future.

The key uncertainties the Company faces 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 Company may experience.

Changing macroeconomic conditions in footprint countries

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

The world economy now appears to be emerging from the worst downturn since the 1930s. An even more serious recession would have occurred had governments globally not embarked upon a synchronised and extensive programme of monetary and fiscal easing, which has been a key driver of the current gradual return to growth in the Company's markets and globally. There is a risk that as this stimulus is withdrawn economic conditions will deteriorate again, which could impact the

Company's performance as described above. The Company operates primarily in markets that appear well positioned to avoid another major downturn.

The Company balances risk and return taking account of changing conditions through the economic cycle, and monitors economic trends in its markets very closely. The Company also continuously reviews the suitability of its risk policies and controls. The Company's risk management processes are pro-active and dynamic, allowing it to respond quickly to changes in economic conditions or outlook.

Regulatory changes and compliance

The Company's business as an international bank is subject to a complex regulatory framework comprising legislation, regulation and codes of practice, in each of the countries in which the Company operates.

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

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

Both unilaterally and through the Company's participation in industry forums, the Company endeavours to influence the development of relevant laws and regulatory policies in its key markets. The Company also keeps close watch on key regulatory developments in order to anticipate changes and their potential impact.

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

HM Treasury regulations require compliance with sanctions adopted by the UK government. Similarly, US laws and regulations require compliance with US economic sanctions against designated foreign countries, nationals and others. The Group has a US Dollar payments and clearing business and has policies, procedures and controls designed to ensure compliance with relevant laws and regulations. Several US agencies have investigated how a number of other financial institutions have processed US Dollar payments potentially involving sanctioned parties. In the light of that activity relating to other institutions, the Group has initiated discussions with US authorities to discuss its past business.

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.

On 15 January 2010, the New York State Banking Department notified the Group that Standard Chartered International (USA) Ltd. (formally American Express Bank Ltd) had satisfied the terms of the written agreement and that the agreement was therefore terminated. The Cease and Desist Order remains in place. However, the Board believes that during the year the Group achieved substantial compliance with the terms of this document and the status of this matter continues to be monitored closely by the Board.

Financial markets dislocation

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

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

The Company has low exposure to risky asset classes and segments. The Company also maintains robust appropriateness and suitability processes to mitigate the risk of customer disputes. The Company closely monitors the performance of its financial institution counterparties and adjusts its exposure to these counterparties as necessary

Geopolitical events

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

The Company actively monitors the political situation in all of its principal markets, and conducts stress tests of the impact of extreme but plausible geopolitical events on its performance and the potential for such events to jeopardise its ability to operate within its stated risk appetite.

Reduced access to funding

Liquidity risk is the risk that the Company 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 Company adversely, thereby affecting the Company'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 Company seeks to manage its liquidity prudently in all geographical locations and for all currencies. The Company's customer deposit base is diversified both by type and maturity, and the Company has a low dependence on wholesale funding. The Company also holds a portfolio of liquid assets that can be realised if a liquidity stress event occurs.

Exchange rate movements

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

The Company monitors exchange rate movements closely and adjusts its exposures accordingly. Under certain circumstances, the Company may take the decision to hedge its foreign exchange exposures in order to protect its capital ratios from the effects of changes in exchange rates. The effect of exchange rate movements on the capital adequacy ratio is mitigated by corresponding movements in risk weighted assets. The table below sets out the period end and average currency exchange rates per US dollar for India, Korea and Singapore for 31 December 2009 and 31 December 2008.

Exchange rates

	Year ended 31.12.09	*Year ended 31.12.08*
Indian rupee		
Average	48.35	43.50
Period end	46.54	48.65
Korean won		
Average	1,276.62	1,101.82
Period end	1,164.47	1,259.91
Singapore dollar		
Average	1.45	1.42
Period end	1.40	1.44

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

Risk Management Framework

For a description of the Company's Risk Management Framework see the section titled "*Business Risk Management*" on page 109 of this Red Herring Prospectus.

Loan portfolio

Loans and advances to customers have grown by $23.3 billion to $201.8 billion.

Compared to 2008, the Consumer Banking portfolio in 2009 has grown by $13.9 billion, or 17%, mainly due to increased mortgage lending.

The growth in the mortgage portfolio is in line with Consumer Banking's strategy of de-risking the overall portfolio by increasing the proportion of secured advances and taking advantage of the strengthening property markets. Growth was mostly in Korea, Singapore and Hong Kong which increased by $3.3 billion, $2.1 billion and $1.8 billion respectively.

Growth in the Wholesale Banking customer portfolio was $9.6 billion, or 10%. Growth was spread across several regions, with Singapore particularly strong at $6.9 billion, or 72% of that growth.

The growth in Singapore is primarily in trade loans, due to business growth and the acquisition of new clients, receivables financing and other corporate loans.

Exposures to banks grew by 10 per cent. The Company continues to be highly liquid, with much of that liquidity placed with high quality bank counterparties, and remains a net provider of liquidity to the inter bank money markets.

The Wholesale Banking portfolio remains 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.

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.

	2009								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe $million*	*Total $million*
Loans to individuals									
Mortgages	14,816	8,149	20,460	11,016	1,685	1,128	212	171	57,637
Other	2,971	4,957	4,951	5,012	772	2,396	678	1,909	23,646
Small and medium enterprises	1,641	2,370	4,024	3,258	1,255	636	113	3	13,300
Consumer Banking	19,428	15,476	29,435	19,286	3,712	4,160	1,003	2,083	94,583
Agriculture, forestry and fishing	16	81	25	351	75	150	613	630	1,941
Construction	274	49	370	350	342	788	116	234	2,523
Commerce	2,508	4,819	939	3,612	861	4,959	765	4,576	23,039
Electricity, gas and water	538	53	188	523	31	371	239	1,395	3,338
Financing, insurance and business services	2,319	4,150	668	4,515	543	4,036	174	5,406	21,811
Governments	—	966	344	3,256	1	250	34	366	5,217
Mining and quarrying	120	569	3	280	139	185	172	4,941	6,409
Manufacturing	2,586	1,061	3,369	7,794	2,485	1,857	685	5,735	25,572
Commercial real estate	1,274	2,275	997	908	360	672	4	518	7,008
Transport, storage and communication	579	1,438	310	1,024	399	1,115	258	4,323	9,446
Other	397	507	268	296	6	234	21	61	1,790
Wholesale Banking	10,611	15,968	7,481	22,909	5,242	14,617	3,081	28,185	108,094
Portfolio impairment provision	(66)	(45)	(112)	(203)	(88)	(293)	(55)	(12)	(874)
Total loans and advances to customers	29,973	31,399	36,804	41,992	8,866	18,484	4,029	30,256	201,803
Total loans and advances to banks	19,453	5,085	2,780	7,232	511	1,864	300	15,708	52,933

1 Other APR includes Malaysia: Total loans and advances to customers $9,022 million; Total loans and advances to banks $390 million.

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

	2008								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $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	17,120	8,786	1,447	891	171	131	47,567
Other	2,826	3,529	4,383	5,389	910	2,742	564	1,106	21,449
Small and medium enterprises	1,288	1,754	3,603	2,660	1,093	710	170	370	11,648
Consumer Banking	17,091	11,327	25,106	16,835	3,450	4,343	905	1,607	80,664
Agriculture, forestry and fishing	27	65	34	193	34	106	383	562	1,404
Construction	142	81	367	424	305	823	40	143	2,325
Commerce	2,150	2,685	964	3,533	749	4,150	725	2,395	17,351
Electricity, gas and water	453	15	93	532	34	242	71	1,246	2,686
Financing, insurance and business services	3,455	2,303	427	2,988	533	3,329	453	12,075	25,563
Governments	—	366	—	3,480	—	383	26	427	4,682
Mining and quarrying	—	355	26	174	104	257	194	4,710	5,820
Manufacturing	2,756	1,153	3,475	7,866	2,255	1,864	598	4,892	24,859
Commercial real estate	1,353	1,265	787	1,245	332	526	10	839	6,357
Transport, storage and communication	470	366	356	921	121	1,218	220	2,113	5,785
Other	168	415	217	403	12	319	48	85	1,667
Wholesale Banking	10,974	9,069	6,746	21,759	4,479	13,217	2,768	29,487	98,499
Portfolio impairment provision	(61)	(47)	(89)	(228)	(66)	(84)	(31)	(45)	(651)
Total loans and advances to customers	28,004	20,349	31,763	38,366	7,863	17,476	3,642	31,049	178,512
Total loans and advances to banks	18,963	9,283	1,594	5,201	291	1,504	587	10,523	47,946

1 Other APR includes Malaysia: Total loans and advances to customers $7,955 million; Total loans and advances to banks $411 million.

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.

	2009								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific[1] Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Loans to individuals									
Mortgages	691,611	380,395	955,073	514,227	78,656	52,655	9,896	7,982	2,690,495
Other	138,686	231,393	231,113	233,960	36,037	111,845	31,649	89,112	1,103,795
Small and medium enterprises	76,602	110,632	187,840	152,083	58,583	29,688	5,275	140	620,844
Consumer Banking	906,899	722,420	1,374,026	900,270	173,276	194,189	46,820	97,234	4,415,134
Agriculture, forestry and fishing	747	3,781	1,167	16,385	3,501	7,002	28,615	29,408	90,606
Construction	12,790	2,287	17,272	16,338	15,965	36,784	5,415	10,923	117,774
Commerce	117,073	224,951	43,833	168,608	40,191	231,486	35,710	213,608	1,075,461
Electricity, gas and water	25,114	2,474	8,776	24,414	1,447	17,318	11,157	65,119	155,818
Financing, insurance and business services	108,251	193,722	31,182	210,760	25,347	188,400	8,122	252,352	1,018,137
Governments	—	45,093	16,058	151,990	47	11,670	1,587	17,085	243,530
Mining and quarrying	5,602	26,561	140	13,070	6,489	8,636	8,029	230,646	299,172
Manufacturing	120,714	49,527	157,265	363,824	116,000	86,685	31,976	267,710	1,193,701
Commercial real estate	59,470	106,197	46,540	42,385	16,805	31,369	187	24,180	327,133
Transport, storage and communication	27,028	67,126	14,471	47,800	18,625	52,048	12,043	201,798	440,939
Other	18,532	23,667	12,510	13,817	280	10,923	980	2,847	83,557
Wholesale Banking	495,321	745,386	349,213	1,069,392	244,697	682,322	143,821	1,315,676	5,045,828
Portfolio impairment provision	(3,081)	(2,101)	(5,228)	(9,476)	(4,108)	(13,677)	(2,567)	(560)	(40,798)
Total loans and advances to customers	1,399,140	1,465,705	1,718,011	1,960,187	413,865	862,833	188,074	1,412,350	9,420,164
Total loans and advances to banks	908,066	237,368	129,770	337,590	23,853	87,012	14,004	733,249	2,470,912

1 Other Asia Pacific region (Other APR) includes Malaysia: Total loans and advances to customers Rs.421,147 million; Total loans and advances to banks Rs.18,205 million.

Total loans and advances to customers include Rs.163,893 million held at fair value through profit or loss. Total loans and advances to banks include Rs.95,601 million held at fair value through profit or loss.

	2008								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific[1] Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Loans to individuals									
Mortgages	605,766	282,134	799,162	410,130	67,546	41,592	7,982	6,115	2,220,428
Other	131,918	164,734	204,598	251,559	42,479	127,997	26,328	51,628	1,001,239
Small and medium enterprises	60,124	81,877	168,188	124,169	51,021	33,143	7,936	17,272	543,729
Consumer Banking	797,808	528,744	1,171,948	785,858	161,046	202,731	42,245	75,015	3,765,396
Agriculture, forestry and fishing	1,260	3,034	1,587	9,009	1,587	4,948	17,878	26,234	65,539
Construction	6,629	3,781	17,132	19,792	14,237	38,418	1,867	6,675	108,531
Commerce	100,362	125,336	45,000	164,920	34,963	193,722	33,843	111,799	809,945
Electricity, gas and water	21,146	700	4,341	24,834	1,587	11,297	3,314	58,163	125,382
Financing, insurance and business services	161,279	107,504	19,932	139,480	24,880	155,398	21,146	563,661	1,193,281
Governments	—	17,085	—	162,446	—	17,878	1,214	19,932	218,556
Mining and quarrying	—	16,571	1,214	8,122	4,855	11,997	9,056	219,863	271,678
Manufacturing	128,650	53,822	162,213	367,185	105,263	87,012	27,915	228,359	1,160,418
Commercial real estate	63,158	59,050	36,737	58,117	15,498	24,554	467	39,165	296,745
Transport, storage and communication	21,940	17,085	16,618	42,992	5,648	56,856	10,270	98,635	270,044
Other	7,842	19,372	10,130	18,812	560	14,891	2,241	3,968	77,816
Wholesale Banking	512,266	423,341	314,903	1,015,710	209,080	616,970	129,210	1,376,453	4,597,933
Portfolio impairment provision	(2,847)	(2,194)	(4,155)	(10,643)	(3,081)	(3,921)	(1,447)	(2,101)	(30,389)
Total loans and advances to customers	1,307,227	949,891	1,482,697	1,790,925	367,045	815,780	170,009	1,449,367	8,332,940
Total loans and advances to banks	885,193	433,330	74,408	242,783	13,584	70,207	27,401	491,214	2,238,119

1 Other APR includes Malaysia: Total loans and advances to customers Rs.371,339 million; Total loans and advances to banks Rs.19,185 million.

Total loans and advances to customers include Rs.202,311 million held at fair value through profit or loss. Total loans and advances to banks include Rs.63,625 million held at fair value through profit or loss.

Maturity analysis

Approximately half of the Company'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 70% of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 61% 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 contractual maturity of loans and advances to customers by each principal category of borrowers business or industry.

	2009			
	One year or less $million	*One to five years $million*	*Over five years $million*	*Total $million*
Loans to individuals				
Mortgages	2,455	7,818	47,364	57,637
Other	14,266	7,158	2,222	23,646
Small and medium enterprises	7,110	3,054	3,136	13,300
Consumer Banking	23,831	18,030	52,722	94,583
Agriculture, forestry and fishing	1,515	348	78	1,941
Construction	1,921	482	120	2,523
Commerce	19,981	2,919	139	23,039
Electricity, gas and water	1,056	825	1,457	3,338
Financing, insurance and business services	15,282	6,484	45	21,811
Governments	4,754	398	65	5,217
Mining and quarrying	3,296	1,531	1,582	6,409
Manufacturing	18,979	5,286	1,307	25,572
Commercial real estate	3,325	3,523	160	7,008
Transport, storage and communication	3,665	4,312	1,469	9,446
Other	1,369	268	153	1,790
Wholesale Banking	75,143	26,376	6,575	108,094
Portfolio impairment provision				(874)
				201,803

	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

	2009			
	One year or less Rs.million	*One to five years Rs.million*	*Over five years Rs.million*	*Total Rs.million*
Loans to individuals				
Mortgages	114,599	364,944	2,210,952	2,690,495
Other	665,937	334,135	103,723	1,103,795
Small and medium enterprises	331,895	142,561	146,388	620,844
Consumer Banking	1,112,431	841,640	2,461,063	4,415,134
Agriculture, forestry and fishing	70,720	16,245	3,641	90,606
Construction	89,672	22,500	5,602	117,774
Commerce	932,713	136,259	6,489	1,075,461
Electricity, gas and water	49,294	38,511	68,013	155,818
Financing, insurance and business services	713,364	302,673	2,101	1,018,137
Governments	221,917	18,579	3,034	243,530
Mining and quarrying	153,857	71,467	73,848	299,172
Manufacturing	885,940	246,750	61,011	1,193,701
Commercial real estate	155,211	164,454	7,469	327,133
Transport, storage and communication	171,082	201,284	68,573	440,939
Other	63,905	12,510	7,142	83,557
Wholesale Banking	3,507,675	1,231,232	306,921	5,045,828
Portfolio impairment provision				(40,798)
				9,420,164

	2008			
	One year or less Rs.million	*One to five years Rs.million*	*Over five years Rs.million*	*Total Rs.million*
Loans to individuals				
Mortgages	110,025	321,298	1,789,104	2,220,428
Other	540,321	332,268	128,650	1,001,239
Small and medium enterprises	316,490	123,842	103,396	543,729
Consumer Banking	966,836	777,409	2,021,151	3,765,396
Agriculture, forestry and fishing	47,053	12,090	6,395	65,539
Construction	90,699	16,618	1,214	108,531
Commerce	734,370	68,946	6,629	809,945
Electricity, gas and water	51,721	16,105	57,556	125,382
Financing, insurance and business services	889,581	281,294	22,406	1,193,281
Governments	208,940	2,007	7,609	218,556
Mining and quarrying	151,150	67,639	52,888	271,678
Manufacturing	854,244	247,077	59,097	1,160,418
Commercial real estate	102,042	189,708	4,995	296,745
Transport, storage and communication	139,480	81,363	49,201	270,044
Other	59,330	15,731	2,754	77,816
Wholesale Banking	3,328,611	998,579	270,744	4,597,933
Portfolio impairment provision				(30,389)
				8,332,940

Problem credit management and provisioning

Consumer Banking

In Consumer Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. Within Consumer Banking an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes the Company 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.

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

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

The provisions are based on the estimated present values of future cashflows, in particular those resulting from the realisation of security. Following such realisation any remaining loan will be written off. The days past due used to trigger write offs and IIP are broadly driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability or recovery (other than by realising security where appropriate) is low. For all products there are certain situations where the individual impairment provisioning or write off process is accelerated, such as in cases involving bankruptcy, fraud and death. Write off and IIP is accelerated for all restructured accounts to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively.

The procedures for managing problem credits for Private Banking and the medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 52 of the 2009 Annual Report).

Non-performing loans are defined as loans past due by more than 90 days or that are otherwise individually impaired. Consumer Banking has seen significant improvements in the level of non performing loans in Taiwan and Korea due to de-risking actions taken and improvements in collections processes. These have been offset to some extent by increases in India and UAE.

The cover ratio is a common metric used in considering trends in provisioning and non-performing loans. It should be noted, however, that, as explained above, a significant proportion of the PIP is intended to reflect losses inherent in the loan portfolio that is less than 90 days delinquent and hence recorded as performing.

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

	2009								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific*[1] *$million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas, UK & Europe $million*	*Total $million*
Loans and advances									
Gross non-performing	80	47	190	482	65	263	28	97	1,252
Individual impairment provision	(64)	(20)	(63)	(212)	(17)	(91)	(10)	(61)	(538)
Non-performing loans net of individual impairment provision	16	27	127	270	48	172	18	36	714
Portfolio impairment provision									(519)
Net non-performing loans and advances									195
Cover ratio									84%

1 Other APR includes Malaysia: Gross non-performing $166 million; Individual impairment provision $(47) million; Non-performing loans net of individual impairment provision $119 million.

	2008								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $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	287	601	49	170	35	95	1,387
Individual impairment provision	(39)	(18)	(76)	(291)	(10)	(71)	(12)	(26)	(543)
Non-performing loans net of individual impairment provision	46	47	211	310	39	99	23	69	844
Portfolio impairment provision									(449)
Net non-performing loans and advances									395
Cover ratio									72%

1 Other APR includes Malaysia: Gross non-performing $164 million; Individual impairment provision $(41) million; Non-performing loans net of individual impairment provision $123 million.

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

	2009								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific[1] Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas, UK & Europe Rs.million*	*Total Rs.million*
Loans and advances									
Gross non-performing	3,734	2,194	8,869	22,500	3,034	12,277	1,307	4,528	58,443
Individual impairment provision	(2,988)	(934)	(2,941)	(9,896)	(794)	(4,248)	(467)	(2,847)	(25,114)
Non-performing loans net of individual impairment provision	747	1,260	5,928	12,604	2,241	8,029	840	1,680	33,330
Portfolio impairment provision									(24,227)
Net non-performing loans and advances									9,103
Cover ratio									84%

1 Other APR includes Malaysia: Gross non-performing Rs.7,749 million; Individual impairment provision Rs.(2,194) million; Non-performing loans net of individual impairment provision Rs.5,555 million.

	2008								
	Asia Pacific								
	Hong Kong Rs.million	Singapore Rs.million	Korea Rs.million	Other Asia Pacific[1] Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas, UK & Europe Rs.million	Total Rs.million
Loans and advances									
Gross non-performing	3,968	3,034	13,397	28,055	2,287	7,936	1,634	4,435	64,745
Individual impairment provision	(1,821)	(840)	(3,548)	(13,584)	(467)	(3,314)	(560)	(1,214)	(25,347)
Non-performing loans net of individual impairment provision	2,147	2,194	9,849	14,471	1,821	4,621	1,074	3,221	39,398
Portfolio impairment provision									(20,959)
Net non-performing loans and advances									18,439
Cover ratio									72%

1 Other APR includes Malaysia: Gross non-performing Rs.7,656 million; Individual impairment provision Rs.(1,914) million; Non-performing loans net of individual impairment provision Rs.5,742 million.

The Consumer Banking total net impairment charge has increased by $115 million, or 12%. Mortgages dominate the Consumer Banking portfolio, making up 61% of loans and advances to customers. The mortgage portfolio has an average loan to value ratio of 48%, loss rates are low and have improved through the second half of the year. The exception to this is in UAE, where the significant fall in Dubai property prices has impacted the mortgage portfolio.

The increases in impairment have arisen primarily in the unsecured portfolios in MESA, India, Singapore and Korea. In UAE the impairment charge has been impacted by rising unemployment, with the bulk of the charge taken in the unsecured credit card and personal loan portfolios. The high level of expatriate customers in this market has made collections a particular challenge. In India the impairment charge is driven by the unsecured credit card and instalment loan portfolios which have suffered with the high levels of customer debt leverage seen in this market. Rising unemployment and falling export orders have led to increased impairment in the unsecured and SME portfolios in Singapore. The unsecured portfolios in Korea have also been impacted by increases in personal bankruptcy and debt restructuring programme filings.

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

	2009								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas, UK & Europe $million	Total $million
Gross impairment charge	139	64	200	424	163	256	31	33	1,310
Recoveries/provisions no longer required	(38)	(20)	(21)	(150)	(26)	(39)	(11)	(7)	(312)
Net individual impairment charge	101	44	179	274	137	217	20	26	998
Portfolio impairment provision charge									54
Net impairment charge									1,052

1 Other APR includes Malaysia: Gross impairment charge $90 million; Recoveries/provisions no longer required $(41) million; Net individual impairment charge $49 million.

	2008								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas, UK & Europe $million*	*Total $million*
Gross impairment charge	135	39	165	442	110	197	27	64	1,179
Recoveries/provisions no longer required	(37)	(26)	(16)	(130)	(28)	(25)	(11)	(8)	(281)
Net individual impairment charge	98	13	149	312	82	172	16	56	898
Portfolio impairment provision charge									39
Net impairment charge									937

1 Other APR includes Malaysia: Gross impairment charge $85 million; Recoveries/provisions no longer required $(43) million; Net individual impairment charge $42 million.

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

	2009								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific[1] Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas, UK & Europe Rs.million*	*Total Rs.million*
Gross impairment charge	6,489	2,988	9,336	19,792	7,609	11,950	1,447	1,540	61,151
Recoveries/provisions no longer required	(1,774)	(934)	(980)	(7,002)	(1,214)	(1,821)	(513)	(327)	(14,564)
Net individual impairment charge	4,715	2,054	8,356	12,790	6,395	10,130	934	1,214	46,587
Portfolio impairment provision charge									2,521
Net impairment charge									49,107

1 Other APR includes Malaysia: Gross impairment charge Rs.4,201 million; Recoveries/provisions no longer required Rs.(1,914) million; Net individual impairment charge Rs.2,287 million.

	2008								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific[1] Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas, UK & Europe Rs.million*	*Total Rs.million*
Gross impairment charge	6,302	1,821	7,702	20,633	5,135	9,196	1,260	2,988	55,036
Recoveries/provisions no longer required	(1,727)	(1,214)	(747)	(6,068)	(1,307)	(1,167)	(513)	(373)	(13,117)
Net individual impairment charge	4,575	607	6,955	14,564	3,828	8,029	747	2,614	41,919
Portfolio impairment provision charge									1,821
Net impairment charge									43,739

1 Other APR includes Malaysia: Gross impairment charge Rs.3,968 million; Recoveries/provisions no longer required Rs.(2,007) million; Net individual impairment charge Rs.1,961 million.

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 the Company's specialist recovery unit, Group Special Assets Management (GSAM), which is separate from the Company's main businesses. Where any amount is considered irrecoverable, an individual impairment provision is raised. This provision is the difference between the loan carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, the Company 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 a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

As with Consumer Banking, a portfolio impairment provision (PIP) to cover the inherent risk of losses which although not identified, are known to be present in any portfolio. In Wholesale Banking, this is set with reference to historic loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The PIP methodology provides for accounts for which an individual impairment provision has not been raised.

Gross non performing loans in Wholesale Banking have increased by $1.1 billion since 2008, and this is driven by a small number of individually significant accounts, the largest of which are two closely linked customers in Saudi Arabia, included within the MESA region.

The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions. The cover ratio has increased from 61% as at 31 December 2008 to 65% as at 31 December 2009. It continues to be impacted by downgrades of accounts in which 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 provisions represents the value of collateral held and/or the Company's estimate of the net outcome of any workout strategy.

The total net impairment charge in Wholesale Banking has increased by $564 million, largely driven by the increase in the MESA region. A significant individual impairment charge has been taken against two closely linked customers in Saudi Arabia. To address the exceptional amount of economic stress still being experienced in the region, and the unusual level of uncertainty, the Group has significantly increased the portfolio impairment provision in 2009.

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

	2009								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas, UK & Europe $million*	*Total $million*
Loans and advances									
Gross non-performing	207	10	352	780	207	855	160	189	2,760
Individual impairment provision	(117)	(7)	(204)	(408)	(74)	(469)	(53)	(115)	(1,447)
Non-performing loans net of individual impairment provision	90	3	148	372	133	386	107	74	1,313
Portfolio impairment provision									(357)
Net non-performing loans and advances									956
Cover ratio									65%

1 Other APR includes Malaysia: Gross non-performing $37 million; Individual impairment provision $(18) million; Non-performing loans and advances, net of individual impairment provision $19 million.

	2008								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $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	193	533	61	241	80	308	1,620
Individual impairment provision	(125)	(2)	(78)	(314)	(34)	(99)	(42)	(87)	(781)
Non-performing loans net of individual impairment provision	76	1	115	219	27	142	38	221	839
Portfolio impairment provision									(208)
Net non-performing loans and advances									631
Cover ratio									61%

1 Other APR includes Malaysia: Gross non-performing $16 million; Individual impairment provision $(16) million; Non-performing loans and advances, net of individual impairment provision $nil million.

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

	2009								
	Asia Pacific								
	Hong Kong Rs.million	Singapore Rs.million	Korea Rs.million	Other Asia Pacific[1] Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas, UK & Europe Rs.million	Total Rs.million
Loans and advances									
Gross non-performing	9,663	467	16,431	36,410	9,663	39,911	7,469	8,823	128,837
Individual impairment provision	(5,462)	(327)	(9,523)	(19,045)	(3,454)	(21,893)	(2,474)	(5,368)	(67,546)
Non-performing loans net of individual impairment provision	4,201	140	6,909	17,365	6,208	18,018	4,995	3,454	61,291
Portfolio impairment provision									(16,665)
Net non-performing loans and advances									44,626
Cover ratio									65%

1 Other APR includes Malaysia: Gross non-performing Rs.1,727 million; Individual impairment provision Rs.(840) million; Non-performing loans and advances, net of individual impairment provision Rs.887 million.

	2008								
	Asia Pacific								
	Hong Kong Rs.million	Singapore Rs.million	Korea Rs.million	Other Asia Pacific[1] Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas, UK & Europe Rs.million	Total Rs.million
Loans and advances									
Gross non-performing	9,383	140	9,009	24,880	2,847	11,250	3,734	14,377	75,622
Individual impairment provision	(5,835)	(93)	(3,641)	(14,658)	(1,587)	(4,621)	(1,961)	(4,061)	(36,457)
Non-performing loans net of individual impairment provision	3,548	47	5,368	10,223	1,260	6,629	1,774	10,316	39,165
Portfolio impairment provision									(9,709)
Net non-performing loans and advances									29,455
Cover ratio									61%

1 Other APR includes Malaysia: Gross non-performing Rs.747 million; Individual impairment provision Rs.(747) million; Non-performing loans and advances, net of individual impairment provision Rs.Nil million.

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

	2009								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas, UK & Europe $million	Total $million
Gross impairment charge	52	3	111	194	55	394	15	58	882
Recoveries/provisions no longer required	(8)	(5)	(18)	(23)	(6)	(6)	(3)	(7)	(76)
Net individual impairment charge	44	(2)	93	171	49	388	12	51	806
Portfolio impairment provision charge									142
Net impairment charge									948

1 Other APR includes Malaysia: Gross impairment charge $11 million; Recoveries/provisions no longer required $(5) million; Net individual impairment charge $6 million.

	2008								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $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)	—	(16)	(5)	(7)	(9)	(29)	(89)
Net individual impairment charge/ (credit)	74	(3)	89	102	30	(1)	(1)	15	305
Portfolio impairment provision charge									79
Net impairment charge									384

1 Other APR includes Malaysia: Gross impairment charge $Nil; Recoveries/provisions no longer required $(2) million; Net individual impairment credit $(2) million.

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

	2009								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific[1] Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas, UK & Europe Rs.million*	*Total Rs.million*
Gross impairment charge	2,427	140	5,181	9,056	2,567	18,392	700	2,707	41,172
Recoveries/provisions no longer required	(373)	(233)	(840)	(1,074)	(280)	(280)	(140)	(327)	(3,548)
Net individual impairment charge	2,054	(93)	4,341	7,982	2,287	18,112	560	2,381	37,624
Portfolio impairment provision charge									6,629
Net impairment charge									44,253

1 Other APR includes Malaysia: Gross impairment charge Rs.513 million; Recoveries/provisions no longer required Rs.(233) million; Net individual impairment charge Rs.280 million.

	2008								
	Asia Pacific								
	Hong Kong Rs.million	*Singapore Rs.million*	*Korea Rs.million*	*Other Asia Pacific[1] Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas, UK & Europe Rs.million*	*Total Rs.million*
Gross impairment charge	4,388	—	4,155	5,508	1,634	280	373	2,054	18,392
Recoveries/provisions no longer required	(934)	(140)	—	(747)	(233)	(327)	(420)	(1,354)	(4,155)
Net individual impairment charge/(credit)	3,454	(140)	4,155	4,761	1,400	(47)	(47)	700	14,237
Portfolio impairment provision charge									3,688
Net impairment charge									17,925

1 Other APR includes Malaysia: Gross impairment charge Rs.Nil; Recoveries/provisions no longer required Rs.(93) million; Net individual impairment credit Rs.(93) million.

Movement in Group Individual impairment provision

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

	2009								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas, UK & Europe $million*	*Total $million*
Provisions held at 1 January 2009	164	20	154	605	44	170	54	113	1,324
Exchange translation differences	—	—	21	26	4	(6)	3	1	49
Amounts written off	(154)	(50)	(215)	(501)	(162)	(218)	(24)	(5)	(1,329)
Recoveries of acquisition fair values	—	—	(7)	(29)	—	(4)	—	—	(40)
Recoveries of amounts previously written off	32	14	6	100	19	19	—	3	193
Discount unwind	(6)	(1)	(13)	(27)	(2)	(6)	(2)	(2)	(59)
Other	—	—	49	1	2	(1)	—	(3)	48
New provisions	191	69	311	618	218	651	46	83	2,187
Recoveries/provisions no longer required	(46)	(25)	(39)	(173)	(32)	(45)	(14)	(14)	(388)
Net charge against profit	145	44	272	445	186	606	32	69	1,799
Provisions held at 31 December 2009	181	27	267	620	91	560	63	176	1,985

1 Other APR includes Malaysia: Provisions held at 31 December 2009 $64 million.

	2008								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $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	137	623	44	197	66	88	1,273
Exchange translation differences	1	—	(43)	(24)	(10)	(28)	(9)	(3)	(116)
Amounts written off	(94)	(48)	(156)	(450)	(114)	(178)	(17)	(62)	(1,119)
Recoveries of acquisition fair values	—	—	(19)	(55)	—	(4)	—	—	(78)
Recoveries of amounts previously written off	31	15	2	88	23	12	—	9	180
Acquisitions	—	—	3	28	—	—	—	15	46
Discount unwind	(3)	(1)	(9)	(24)	(1)	(1)	(1)	—	(40)
Other	—	—	10	5	(1)	1	—	(5)	10
New provisions	213	39	245	560	136	203	33	109	1,538
Recoveries/provisions no longer required	(58)	(29)	(16)	(146)	(33)	(32)	(18)	(38)	(370)
Net charge against profit	155	10	229	414	103	171	15	71	1,168
Provisions held at 31 December 2008	164	20	154	605	44	170	54	113	1,324

1 Other APR includes Malaysia: Provisions held at 31 December 2008 $57 million.

Movement in Group Individual impairment provision

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

	2009								
	Asia Pacific								
	Hong Kong Rs.million	Singapore Rs.million	Korea Rs.million	Other Asia Pacific[1] Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas, UK & Europe Rs.million	Total Rs.million
Provisions held at 1 January 2009	7,656	934	7,189	28,241	2,054	7,936	2,521	5,275	61,804
Exchange translation differences	—	—	980	1,214	187	(280)	140	47	2,287
Amounts written off	(7,189)	(2,334)	(10,036)	(23,387)	(7,562)	(10,176)	(1,120)	(233)	(62,038)
Recoveries of acquisition fair values	—	—	(327)	(1,354)	—	(187)	—	—	(1,867)
Recoveries of amounts previously written off	1,494	654	280	4,668	887	887	—	140	9,009
Discount unwind	(280)	(47)	(607)	(1,260)	(93)	(280)	(93)	(93)	(2,754)
Other	—	—	2,287	47	93	(47)	—	(140)	2,241
New provisions	8,916	3,221	14,517	28,848	10,176	30,389	2,147	3,874	102,089
Recoveries/provisions no longer required	(2,147)	(1,167)	(1,821)	(8,076)	(1,494)	(2,101)	(654)	(654)	(18,112)
Net charge against profit	6,769	2,054	12,697	20,773	8,682	28,288	1,494	3,221	83,977
Provisions held at 31 December 2009	8,449	1,260	12,464	28,942	4,248	26,141	2,941	8,216	92,660

1 Other APR includes Malaysia: Provisions held at 31 December 2009 Rs.2,988 million.

	2008								
	Asia Pacific								
	Hong Kong Rs.million	Singapore Rs.million	Korea Rs.million	Other Asia Pacific[1] Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas, UK & Europe Rs.million	Total Rs.million
Provisions held at 1 January 2008	3,454	2,054	6,395	29,082	2,054	9,196	3,081	4,108	59,424
Exchange translation differences	47	—	(2,007)	(1,120)	(467)	(1,307)	(420)	(140)	(5,415)
Amounts written off	(4,388)	(2,241)	(7,282)	(21,006)	(5,322)	(8,309)	(794)	(2,894)	(52,235)
Recoveries of acquisition fair values	—	—	(887)	(2,567)	—	(187)	—	—	(3,641)
Recoveries of amounts previously written off	1,447	700	93	4,108	1,074	560	—	420	8,402
Acquisitions	—	—	140	1,307	—	—	—	700	2,147
Discount unwind	(140)	(47)	(420)	(1,120)	(47)	(47)	(47)	—	(1,867)
Other	—	—	467	233	(47)	47	—	(233)	467
New provisions	9,943	1,821	11,437	26,141	6,348	9,476	1,540	5,088	71,794
Recoveries/provisions no longer required	(2,707)	(1,354)	(747)	(6,815)	(1,540)	(1,494)	(840)	(1,774)	(17,272)
Net charge against profit	7,235	467	10,690	19,326	4,808	7,982	700	3,314	54,522
Provisions held at 31 December 2008	7,656	934	7,189	28,241	2,054	7,936	2,521	5,275	61,804

1 Other APR includes Malaysia: Provisions held at 31 December 2008 Rs.2,661 million.

Asset backed securities

Total exposures to asset backed securities

	31 December 2009				31 December 2008			
	Percentage of notional value of portfolio	*Notional $million*	*Carrying value $million*	*Fair value[1] $million*	*Percentage of notional value of portfolio*	*Notional $million*	*Carrying value $million*	*Fair value[1] $million*
Residential Mortgage Backed Securities ('RMBS')								
– US Alt-A	2%	74	42	31	2%	84	57	35
– US Prime	—	1	—	—	—	2	1	—
– Other	24%	819	767	708	23%	1,024	969	858
Collateralised Debt Obligations ('CDOs')								
– Asset Backed Securities	2%	77	13	10	5%	208	32	30
– Other CDOs	10%	353	285	273	9%	379	306	225
Commercial Mortgage Backed Securities ('CMBS')								
– US CMBS	4%	139	122	108	3%	147	129	92
– Other	19%	664	480	373	15%	671	525	466
Other Asset Backed Securities ('Other ABS')	39%	1,315	1,227	1,204	43%	1,935	1,740	1,551
	100%	3,442	2,936	2,707	100%	4,450	3,759	3,257
Of which included within:								
– Financial assets held at fair value through profit or loss	3%	103	97	97	—	—	—	—
– Investment securities – available-for-sale	26%	903	608	608	26%	1,145	725	725
– Investment securities – Loans and receivables	71%	2,436	2,231	2,002	74%	3,305	3,034	2,532
	100%	3,442	2,936	2,707	100%	4,450	3,759	3,257

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

Asset backed securities

Total exposures to asset backed securities

	31 December 2009				*31 December 2008*			
	Percentage of notional value of portfolio	*Notional Rs.million*	*Carrying value Rs.million*	*Fair value[1] Rs.million*	*Percentage of notional value of portfolio*	*Notional Rs.million*	*Carrying value Rs.million*	*Fair value[1] Rs.million*
Residential Mortgage Backed Securities ('RMBS')								
– US Alt-A	2%	3,454	1,961	1,447	2%	3,921	2,661	1,634
– US Prime	—	47	—	—	—	93	47	—
– Other	24%	38,231	35,804	33,049	23%	47,800	45,233	40,051
Collateralised Debt Obligations ('CDOs')								
– Asset Backed Securities	2%	3,594	607	467	5%	9,709	1,494	1,400
– Other CDOs	10%	16,478	13,304	12,744	9%	17,692	14,284	10,503
Commercial Mortgage Backed Securities ('CMBS')								
– US CMBS	4%	6,489	5,695	5,041	3%	6,862	6,022	4,295
– Other	19%	30,996	22,406	17,412	15%	31,322	24,507	21,753
Other Asset Backed Securities ('Other ABS')	39%	61,384	57,276	56,203	43%	90,326	81,223	72,401
	100%	160,673	137,052	126,363	100%	207,726	175,470	152,037
Of which included within:								
– Financial assets held at fair value through profit or loss	3%	4,808	4,528	4,528	—	—	—	—
– Investment securities – available-for-sale	26%	42,152	28,381	28,381	26%	53,449	33,843	33,843
– Investment securities – Loans and receivables	71%	113,712	104,143	93,453	74%	154,277	141,627	118,194
	100%	160,673	137,052	126,363	100%	207,726	175,470	152,037

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

The carrying value of asset backed securities represents 0.7% (31 December 2008: 0.9%) of the Company's total assets.

The notional value of the ABS portfolio fell by approximately $1 billion during 2009 due to natural redemptions in the portfolio. The difference between carrying value and fair value of the remaining portfolio narrowed to $229 million at 31 December 2009, benefitting from both the redemptions and a recovery in market prices in certain asset classes

The credit quality of the asset backed securities portfolio remains strong. With the exception of those securities subject to an impairment charge, 80% of the overall portfolio is rated A or better, and 39% of the overall portfolio is rated as AAA. The portfolio is broadly diversified across asset classes and geographies, and there is no direct exposure to the US sub-prime market. The portfolio has an average credit grade of AA-, unchanged from year-end 2008.

26% of the overall portfolio is invested in RMBS, with a weighted average credit rating of AA (AA+ in 2008). 45% of the residential mortgage exposures were originated in 2005 or earlier.

12% of the overall portfolio is in CDOs. This includes $77 million of exposures to Mezzanine and High Grade CDOs of ABS, of which $56 million have been impaired. The remainder of the CDOs have a weighted average credit rating of BBB (AA+ in 2008).

23% of the overall portfolio is in CMBS, of which $139 million is in respect of US CMBS with a weighted average credit grade of AAA (AAA in 2008). The weighted average credit rating of the Other CMBS is A- (AA in 2008).

39% of the overall portfolio is in Other ABS, which includes securities backed by credit card receivables, bank collateralised loan obligations, future flows and student loans, with a weighted credit rating of AA.

The Group reclassified some asset backed securities from trading and available-for-sale to loans and receivables with effect from 1 July 2008. The securities were reclassified at their fair value on the date of reclassification. Note 14 on page 143 of the Annual Report 2009 provides details of the remaining balance of those assets reclassified in 2008. No assets were reclassified in the twelve months to 31 December 2009.

Writedowns of asset backed securities

	Trading $million	*Available -for-sale $million*	*Loans and receivables $million*	*Total $million*
31 December 2009				
Credit to available-for-sale reserves	—	26	—	26
Charge to the profit and loss account	—	(70)	(7)	(77)
31 December 2008				
Charge to available-for-sale reserves	—	(309)	—	(309)
Charge to the profit and loss account	(74)	(90)	—	(164)

Writedowns of asset backed securities

	Trading Rs.million	*Available -for-sale Rs.million*	*Loans and receivables Rs.million*	*Total Rs.million*
31 December 2009				
Credit to available-for-sale reserves	—	1,214	—	1,214
Charge to the profit and loss account	—	(3,268)	(327)	(3,594)
31 December 2008				
Charge to available-for-sale reserves	—	(14,424)	—	(14,424)
Charge to the profit and loss account	(3,454)	(4,201)	—	(7,656)

Country cross-border risk

Country cross border risk is the risk that the Company 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 Company's country cross border risk limits and delegates the setting and management of country limits to the Group Country Risk function.

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

Cross border assets comprise loans and advances, interest-bearing deposits with other banks, trade and other bills, acceptances, amounts receivable under finance leases, derivatives, certificates of deposit and other negotiable paper investment securities, and formal commitments where the counterparty is resident in a country other than 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 China, India, Hong Kong, Singapore and UAE has risen significantly reflecting the Company's focus and continued expansion in the Company's core countries and the execution of underlying business strategies in these key markets.

Cross border exposure to UAE has increased as the Company grew its Abu Dhabi portfolio. In South Korea growth in the Wholesale Banking business was offset by a significant reduction in the marked to market positions on the Company's derivative exposure and short-term exposure to the USA has continued to expand primarily in support of the Company's substantial clearing capabilities.

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

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

	2009			2008		
	One year or less $million	Over one year $million	Total $million	One year or less $million	Over one year $million	Total $million
US	14,484	5,604	20,088	12,839	5,449	18,288
India	8,370	10,470	18,840	8,806	6,862	15,668
Hong Kong	12,410	4,856	17,266	9,481	4,136	13,617
Singapore	13,135	3,411	16,546	9,715	3,003	12,718
South Korea	8,555	6,500	15,055	8,803	7,040	15,843
United Arab Emirates	5,807	9,071	14,878	5,989	4,546	10,535
China	5,979	4,007	9,986	4,480	3,292	7,772
France	5,680	2,328	8,008	3,071	1,835	4,906
Australia	2,466	2,566	5,032	2,000	1,552	3,552
Netherlands	2,350	2,461	4,811	2,445	1,648	4,093
Switzerland	2,844	1,638	4,482	3,147	623	3,770

	2009			2008		
	One year or less Rs.million	Over one year Rs.million	Total Rs.million	One year or less Rs.million	Over one year Rs.million	Total Rs.million
US	676,113	261,595	937,708	599,325	254,359	853,684
India	390,712	488,740	879,451	411,064	320,318	731,382
Hong Kong	579,299	226,678	805,977	442,573	193,068	635,642
Singapore	613,142	159,225	772,367	453,496	140,180	593,676
South Korea	399,347	303,420	702,767	410,924	328,627	739,551
United Arab Emirates	271,071	423,434	694,505	279,567	212,207	491,774
China	279,100	187,047	466,146	209,126	153,671	362,797
France	265,142	108,671	373,813	143,354	85,658	229,012
Australia	115,113	119,781	234,894	93,360	72,447	165,807
Netherlands	109,698	114,879	224,577	114,133	76,929	191,061
Switzerland	132,758	76,462	209,220	146,902	29,082	175,984

Market risk

The Company recognises market risk as the risk of loss resulting from changes in market prices and rates. The Company's exposure to market risk arises principally from customer-driven transactions. The objective of the Company'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.
- equity price risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

Market risk governance

The Group Risk Committee (GRC) approves the Company's market risk appetite taking account of market volatility, the range of traded products and asset classes, business volumes and transaction sizes. Market risk appetite has remained broadly stable in 2009.

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

The Company applies two VaR methodologies:

- 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. This approach is applied for general market risk factors.
- Monte Carlo simulation: this methodology is similar to historic simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for credit spread VaR.

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

VaR is calculated as the Company'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 assess their predictive power, VaR models are back tested against actual results. In 2009 there was only one exception in the regulatory back testing, compared with three in 2008. 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%.

Stress testing

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

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

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

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

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

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

Market risk changes

Total average VaR rose in 2009 against 2008. This stemmed mainly from the non-trading book VaR, and reflected sharp increases in the volatility of credit spreads that followed the collapse of Lehman Brothers in September 2008. The one year historic data window applied as an input to the VaR model continued to reflect this period of particularly high credit spread volatility throughout most of 2009. Average trading book VaR rose slightly in 2009, with Commodities and Equities VaR increasing as these businesses continue to expand their activities.

Securities classed as loans and receivables or held to maturity were removed from VaR in June 2009. These non-traded securities are accounted for on an amortised cost basis, so market price movements have no effect on either profit and loss or reserves. This alignment of VaR with accounting treatment resulted in an $8.6 million reduction in total VaR at the time of implementation. The inclusion of the listed part of the Company's Private Equity portfolio in non-trading VaR from October 2009 resulted in a $3 million increase in total VaR.

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

	2009				*2008*			
Trading and Non-trading	*Average $million*	*High[3] $million*	*Low[3] $million*	*Actual[4] $million*	*Average $million*	*High[3] $million*	*Low[3] $million*	*Actual[4] $million*
Interest rate risk[1]	37.3	46.7	24.7	25.5	25.1	37.6	14.2	36.7
Foreign exchange risk	7.8	16.1	3.5	5.0	6.0	8.7	3.3	4.8
Commodity risk	3.0	5.5	1.3	3.7	1.3	2.4	0.6	2.1
Equity risk	4.3	11.1	1.1	10.8	1.4	2.4	0.5	0.8
Total[2]	38.9	47.9	27.6	31.8	31.5	42.5	17.8	41.7
Trading								
Interest rate risk[1]	11.7	17.8	8.7	10.5	12.0	16.0	8.5	9.3
Foreign exchange risk	7.8	16.1	3.5	5.0	6.0	8.7	3.3	4.8
Commodity risk	3.0	5.5	1.3	3.7	1.3	2.4	0.6	2.1
Equity risk	2.7	3.6	1.0	2.5	1.4	2.4	0.5	0.8
Total[2]	14.5	19.3	9.9	13.2	14.2	20.6	9.2	9.8
Non-trading								
Interest rate risk[1]	32.4	41.0	20.8	22.2	19.8	39.6	10.6	38.8
Equity risk[5]	1.8	9.9	—	9.1	—	—	—	—
Total[2]	32.7	41.0	22.6	23.5	19.8	39.6	10.6	38.8

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

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

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

4 Actual one day VaR as at period end date.

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

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

Trading and Non-trading	*2009* Average Rs.million	High[3] Rs.million	Low[3] Rs.million	Actual[4] Rs.million	*2008* Average Rs.million	High[3] Rs.million	Low[3] Rs.million	Actual[4] Rs.million
Interest rate risk[1]	1,741	2,180	1,153	1,190	1,172	1,755	663	1,713
Foreign exchange risk	364	752	163	233	280	406	154	224
Commodity risk	140	257	61	173	61	112	28	98
Equity risk	201	518	51	504	65	112	23	37
Total[2]	1,816	2,236	1,288	1,484	1,470	1,984	831	1,947
Trading								
Interest rate risk[1]	546	831	406	490	560	747	397	434
Foreign exchange risk	364	752	163	233	280	406	154	224
Commodity risk	140	257	61	173	61	112	28	98
Equity risk	126	168	47	117	65	112	23	37
Total[2]	677	901	462	616	663	962	429	457
Non-trading								
Interest rate risk[1]	1,512	1,914	971	1,036	924	1,849	495	1,811
Equity risk[5]	84	462	—	425	—	—	—	—
Total[2]	1,526	1,914	1,055	1,097	924	1,849	495	1,811

1 Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale.
2 The total VaR shown in the tables above is not a sum of the component risks due to offsets between them.
3 Highest and lowest VaR for each risk factor are independent and usually occur on different days.
4 Actual one day VaR as at period end date.

Average daily income earned from market risk related activities

Trading

	2009 *$million*	*2008* *$million*
Interest rate risk	5.0	3.4
Foreign exchange risk	5.3	5.1
Commodity risk	1.0	0.6
Equity risk	0.4	—
Total	11.7	9.1
Non-Trading		
Interest rate risk	4.5	3.2
Total	4.5	3.2

Trading

	2009 Rs.million	2008 Rs.million
Interest rate risk	233	159
Foreign exchange risk	247	238
Commodity risk	47	28
Equity risk	19	—
Total	546	425

Non-Trading

	2009 Rs.million	2008 Rs.million
Interest rate risk	210	149
Total	210	149

Market risk VaR 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. The interest rate risk on securities issued by Group Treasury is hedged to floating rate and is not included within Group VaR.

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

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

Equity risk relating to non-listed Private Equity and strategic investments is not included within the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee. Equity shareholdings are detailed in note 22 on page 151 of the 2009 Annual Report.

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 2009, the Company's market risk regulatory capital requirement was $1.6 billion (31 December 2008: $0.7 billion). The increase occurred despite a reduction in trading book market risk as reflected above in internal VaR. It arises primarily due to energy derivative positions that are subject to FSA standard rules and for which application has been made to the FSA for CAD2 approval.

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 Company'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 Company enters into derivative contracts in the normal course of business to meet customer requirements and to manage its 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 51 of the 2009 Annual Report.

Hedging

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

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

The use of interest rate swaps for the purposes of hedging significantly increased in 2009 compared to 2008. A large part of the increase arose in cash flow hedges from hedging of the returns on mortgage backed securities obtained in 2009 following the government sponsored mortgage acquisition programme in Korea. The use of fair value hedging was also expanded as part of the Company's focus on liquidity management. Foreign exchange options were also taken out during the year to provide more flexibility in managing the foreign exchange risks in elements of the Company's non-US dollar cost base.

The Company 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.

Structural currency exposure management

The Company has investments in foreign operations (subsidiaries and branches) in currencies other than its functional currency, US dollars. Foreign exchange movements on those net investments in foreign currencies are taken to the Company's reserves; these reserves form part of the capital base. The effect of exchange rate movements on the capital ratio is partially mitigated by the fact that both the value of these investments and the risk weighted assets in those currencies follow broadly the same exchange rate movements. The Company hedges the net investments in limited circumstances if it is anticipated that the capital ratio will be materially affected by exchange rate movements.

Liquidity risk

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

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

The GALCO is the responsible governing body that approves the Company'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 Company seeks to manage its liquidity prudently in all geographical locations and for all currencies. Exceptional market events can impact us adversely, thereby affecting the Company's ability to fulfil 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 Company's customer deposit base is diversified by type and maturity. In addition the Company has a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions.

Policies and procedures

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

The Company's 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 Company'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 deposit ratio to ensure that commercial advances are funded by stable sources and that customer lending is funded by customer deposits.
- the amount of medium-term funding to support the asset portfolio.
- the amount of local currency funding sourced from foreign currency sources.

In addition, the Company 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 remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a regular basis by Group Market Risk. Limit excesses are escalated and approved under a delegated authority structure and reviewed by ALCO. Excesses are also reported monthly to the LMC and GALCO which provide further oversight.

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

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

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

Primary sources of funding

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

The Company 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 Company has flexibility around maturity transformation, has market intelligence, maintains stable funding lines and can obtain optimal pricing when the Company performs its interest rate risk management activities.

Liquidity metrics

The Company 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.

31 December	*2009* *$million*	*2008* *$million*
Loans and advances to customers[1]	201,803	178,512
Customer accounts[2]	256,746	238,591
	%	%
Advances to deposits ratio	78.6	74.8

1 see note 18 on page 148 of the 2009 Annual Report.
2 see note 30 on page 161 of the 2009 Annual Report.

31 December	*2009* *Rs.million*	*2008* *Rs.million*
Loans and advances to customers[1]	9,420,164	8,332,940
Customer accounts[2]	11,984,903	11,137,428
	%	%
Advances to deposits ratio	78.6	74.8

1 see note 18 on page 148 of the 2009 Annual Report.
2 see note 30 on page 161 of the 2009 Annual Report.

Liquid asset ratio

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

31 December	*2009* *%*	*2008* *%*
Liquid assets[1] to total assets ratio	26.2	23.1

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

Capital management 2009

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

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

The capital plan takes the following into account:

- regulatory capital requirements.
- forecast demand for capital to support the credit ratings.
- increases in demand for capital due to business growth, market shocks or stresses.

- available supply of capital and capital raising options.
- internal controls and governance for managing the Group's risk, performance and capital.

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

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

Current compliance with Capital Adequacy Regulations

The Company's lead supervisor is the FSA. The capital that the Company is required to hold by the FSA is determined by the Company's balance sheet, off-balance sheet, counterparty and other risk exposures.

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

The table on page 70 of the Company's 2009 Annual Report summarises the consolidated capital position of the Group. The principal forms of capital are included in the following items on the consolidated balance sheet: share capital and reserves (called-up ordinary share capital and preference shares, and eligible reserves), subordinated liabilities (innovative Tier 1 securities and qualifying subordinated liabilities), and loans to banks and customers (portfolio impairment provision).

Movement in capital

On a Basel II basis, total capital increased by $5,823 million during the year. The issue of shares in August 2009 increased ordinary share capital by $65 million and the $5,073 million increase in eligible reserves is primarily on account of retained profits less dividends paid. We issued $1,500 million of Innovative Tier 1 securities in the period and gave notice of redemption of EUR500 million of Preferred Securities in full. Qualifying subordinated liabilities, net of associated amortisations, decreased on account of the redemption of a variety of Upper and Lower Tier 2 securities amounting to approximately $1,000 million, the impact of which was partially offset by the issuance of TWD10 billion and KRW300 billion Lower Tier 2 subordinated debt.

Basel II

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

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

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

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

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

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

The Company applies the Standardised Approach for determining the capital requirements for operational risk.

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

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

	2009 *$million*	*2008*[1] *$million*
Tier 1 capital:		
Called-up ordinary share capital	1,013	948
Eligible reserves[2]	25,001	19,928
Minority interests	256	228
Less: excess expected losses[3]	(502)	(483)
Less: securitisation	(97)	(85)
Goodwill and other intangible assets	(6,620)	(6,361)
Other regulatory adjustments	51	5
Core Tier 1 capital	19,102	14,180
Innovative Tier 1 securities	2,860	1,974
Preference shares	2,694	2,664
Tax on excess expected losses[2]	163	130
Less: material holdings	(237)	(216)
Total Tier 1 capital	24,582	18,732
Tier 2 capital:		
Eligible revaluation reserves	253	107
Portfolio impairment provision	242	251
Less: excess expected losses[3]	(502)	(483)
Qualifying subordinated liabilities:		
Perpetual subordinated debt	1,535	1,823
Other eligible subordinated debt	9,547	10,520
Less: amortisation of qualifying subordinated liabilities	—	(1,126)
Less: material holdings and securitisations	(335)	(301)
Total Tier 2 capital	10,740	10,791
Deductions from Tier 1 and Tier 2 capital	(57)	(81)
Total capital base	35,265	29,442
Risk weighted assets		
Credit risk	173,315	161,276
Operational risk	20,696	18,340
Market risk	19,912	9,205
Total risk weighted assets	213,923	188,821
Capital ratios		
Core Tier 1 capital	8.9%	7.5%
Tier 1 capital	11.5%	9.9%
Total capital ratio	16.5%	15.6%

1 The capital for December 2008 has been restated in accordance with the definitions of Core Tier 1 capital as advised by the FSA on 1 May 2009.

2 The tax benefit on excess expected losses includes 50% in eligible reserves and 50% in tax on excess expected losses.

3 Excess expected losses are shown gross.

Risk weighted assets

	2009 $million	2008 $million
Consumer Banking	53,215	52,124
Wholesale Banking	160,708	136,697
Total risk weighted assets	213,923	188,821
Hong Kong	24,706	21,072
Singapore	21,531	15,064
Korea	26,093	27,020
Other Asia Pacific[1]	41,276	37,053
India	17,381	15,578
Middle East & Other S Asia	28,727	22,070
Africa	10,228	7,247
Americas, UK & Europe	52,921	51,744
	222,863	196,848
Less : Intra-group balances[2]	(8,940)	(8,027)
Total risk weighted assets	213,923	188,821

1 Other APR includes Malaysia risk weighted assets of $7,041 million (2008: $6,314 million).

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

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

	2009 *Rs. million*	*2008*[1] *Rs. million*
Tier 1 capital:		
Called-up ordinary share capital	47,287	44,253
Eligible reserves[2]	1,167,047	930,239
Minority interests	11,950	10,643
Less: excess expected losses[3]	(23,433)	(22,546)
Less: securitisation	(4,528)	(3,968)
Goodwill and other intangible assets	(309,022)	(296,931)
Other regulatory adjustments	2,381	233
Core Tier 1 capital	891,681	661,922
Innovative Tier 1 securities	133,505	92,146
Preference shares	125,756	124,356
Tax on excess expected losses[2]	7,609	6,068
Less: material holdings	(11,063)	(10,083)
Total Tier 1 capital	1,147,488	874,410
Tier 2 capital:		
Eligible revaluation reserves	11,810	4,995
Portfolio impairment provision	11,297	11,717
Less: excess expected losses[3]	(23,433)	(22,546)
Qualifying subordinated liabilities:		
Perpetual subordinated debt	71,654	85,098
Other eligible subordinated debt	445,654	491,074
Less: amortisation of qualifying subordinated liabilities	—	(52,562)
Less: material holdings and securitisations	(15,638)	(14,051)
Total Tier 2 capital	501,343	503,724
Deductions from Tier 1 and Tier 2 capital	(2,661)	(3,781)
Total capital base	1,646,170	1,374,353
Risk weighted assets		
Credit risk	8,090,344	7,528,364
Operational risk	966,089	856,111
Market risk	929,492	429,689
Total risk weighted assets	9,985,926	8,814,164
Capital ratios		
Core Tier 1 capital	8.9%	7.5%
Tier 1 capital	11.5%	9.9%
Total capital ratio	16.5%	15.6%

1 The capital for December 2008 has been restated in accordance with the definitions of Core Tier 1 capital as advised by the FSA on 1 May 2009.

2 The tax benefit on excess expected losses includes 50% in eligible reserves and 50% in tax on excess expected losses.

3 Excess expected losses are shown gross.

Risk weighted assets

	2009 Rs. million	2008 Rs. million
Consumer Banking	2,484,076	2,433,148
Wholesale Banking	7,501,849	6,381,016
Total risk weighted assets	9,985,926	8,814,164
Hong Kong	1,153,276	983,641
Singapore	1,005,067	703,188
Korea	1,218,021	1,261,294
Other Asia Pacific[1]	1,926,764	1,729,634
India	811,345	727,181
Middle East & Other S Asia	1,340,976	1,030,228
Africa	477,443	338,290
Americas, UK & Europe	2,470,352	2,415,410
	10,403,245	9,188,865
Less : Intra-group balances[2]	(417,319)	(374,700)
Total risk weighted assets	9,985,926	8,814,164

1 Other APR includes Malaysia risk weighted assets of Rs.328,674 million (2008: Rs.294,738 million).

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

Risk weighted assets (RWA) increased by $25 billion or 13% compared to 2008, largely driven through Wholesale Banking, whose RWA increased by $24 billion, or 18%. RWA growth was concentrated in Singapore, Hong Kong and MESA.

Credit risk RWA increased by $12 billion, or 7%, largely driven by downgrades in Wholesale Banking resulting in an increase of $13 billion as a result of credit migration. The rate of credit migration eased in the second half of the year, accounting for $2 billion of the $13 billion during the year. Asset growth was muted resulting in an RWA increase of $1.6 billion whereas savings through RWA efficiencies ($5.2 billion) were higher through collaterals, better data capture and lower risk weighting of the product mix. Against this, savings through the use of CDOs decreased by $1.6 billion due to challenging market conditions. In Consumer Banking the RWA growth was more muted and mainly driven by increases in Other APR, secured on real estate property and SME portfolios, and Singapore, due to the increase in cards, mortgages, SME and Private Banking, partly offset by a decline in Retail and Personal Loans.

Market risk RWA increased by $11 billion, or 116%, in line with increased trading in energy-related products and as a result of changes in methodology as advised by the FSA in respect of credit default swaps.

Operational risk RWA increased by $2 billion, or 13%, and given that it is primarily determined by the change in income drivers over a rolling three year time horizon, the growth reflects the strong performance of the Wholesale Banking businesses over that period.

Summary of financials for the years ended 31 December 2008 and 31 December 2007

The following is extracted without material adjustment from the Annual Report 2008 and the statements are made as at the date of the Annual Report 2008 rather than the date of this Red Herring Prospectus.

Group operating income and profit

	2008			2007
	AEB US$million	*Underlying US$million	As reported US$million	As reported US$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.

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

	2008			2007
	AEB Rs.million	*Underlying Rs.million	As reported Rs.million	As reported Rs.million
Net interest income	11,203	333,622	344,825	292,450
Fees and commissions income, net	11,763	125,523	137,286	124,215
Net trading income	2,894	109,371	112,265	58,863
Other operating income	(93)	57,743	57,650	41,078
	14,564	292,637	307,201	224,157
Operating income	25,767	626,259	652,026	516,608
Operating expenses	(28,148)	(327,133)	(355,281)	(290,116)
Operating profit before impairment losses and taxation**	(2,381)	299,125	296,745	226,491
Impairment losses on loans and advances and other credit risk provisions	(3,454)	(58,210)	(61,664)	(35,523)
Other impairment	—	(21,893)	(21,893)	(2,661)
Profit from associates	47	—	47	47
Operating (loss)/profit	(5,788)	219,023	213,234	188,354

* Underlying performance of the Group excludes the post-acquisition results of AEB only.

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

Note: The acquisitions of Pembroke and Harrison Lovegrove are included within the 'Americas, the UK and Europe' segment. The acquisition of A Brain is included within the 'South Korea' segment. Additional disclosures of the effect of these acquisitions for these segments have not been made as the impact is not significant.

Acquisitions

The Group made a number of acquisitions in 2007 and 2008.

On 30 June 2007, the assets and business of the SCB branch in Taiwan were amalgamated into Hsinchu, and the combined entity was renamed Standard Chartered Bank (Taiwan) Limited.

On 29 February 2008, the Group completed the purchase of AEB from American Express Company.

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 on 21 January 2008.

On 11 January 2008, the Group completed the acquisition of a 49% joint venture interest in UTI an equity brokerage firm in India. On 12 December 2008, the Group exercised its option to acquire a further 25.9%, which increased the Group's investment to 74.9%. 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% in 2010.

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

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

In September 2008, the Group received regulatory approval to exercise its nil cost option to convert the US$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%. Following such conversion, the Group exercised its call option over the remaining 35% of the company. Both transactions completed in the first half of 2009. As the conversion options were exercisable since September 2008, the Group has consolidated First Africa from this date in line with the requirements of IAS 27.

The only significant acquisition was that of AEB. Its only material impact on performance was in the Americas, UK & Europe geographic segments. A description of the overall performance of AEB is included on page 183 of this Red Herring Prospectus. References to 'underlying' exclude the post acquisition results of AEB.

Group summary – financial years ended 31 December 2008 and 31 December 2007

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

The normalised cost to income ratio was 56%, flat to 2007. Normalised earnings per share increased by 1% to 174.9 US$ cents. Further details of basic and diluted earnings per share are provided in note 14 of 2008 Annual report.

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% at the end of 2008, from 86% at the end of 2007. The Group remains a net lender into the interbank market.

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

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

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

Net interest income

Net interest income grew US$1,122 million or 18%. 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%. Net interest margin was 2.5%, in line with 2008.

Interest income for the financial year ended 31 December 2008 increased US$202 million, or 1.2%, when compared with the equivalent period in 2007. The increase in interest income is due to the increase in volumes of US$2.6 billion largely offset by falling rates. The average balance of interest-bearing loans and advances to customers, banks and investment securities for the financial year ended 31 December 2008 grew 20%, 30% and 10%, respectively, when compared with the equivalent period in 2007.

Interest expense for the financial year ended 31 December 2008 decreased by US$920 million, or 9% when compared with the equivalent period in 2007. The decrease is due to lower rates on deposits by US$2.5bn offset by increase in volume by US$1.6bn. The average interest-bearing balances of current, savings and time deposit accounts for the financial year ended 31 December 2008 growing 30% when compared with the equivalent period in 2007, and an increase in issued debt securities and subordinated liabilities for the financial year ended 31 December 2008 of 6% and 17%, respectively, when compared with the equivalent period in 2007.

The following table shows, for the periods indicated, the principal components of interest income and expenses:

Interest Income

	2008 *US$m*	*2007* *US$m*	*2008* *Rs.m*	*2007* *Rs.m*
Balances at central banks	32	39	1,494	1,821
Treasury bills	835	884	38,978	41,265
Loans and advances to banks	1,382	1,975	64,512	92,193
Loans and advances to customers	11,397	10,746	532,012	501,623
Listed debt securities	1,147	1,081	53,542	50,461
Unlisted debt securities	1,545	1,385	72,121	64,652
Accrued on impaired assets (discount unwind)	40	66	1,867	3,081
	16,378	16,176	764,525	755,096
Interest Expense				
Deposits by banks	1,268	1,497	59,190	69,880
Customer accounts:				
Interest-bearing current accounts and savings deposits	1,009	1,508	47,100	70,393
Time deposits	4,328	4,552	202,031	212,487
Debt securities in issue	1,338	1,543	62,458	72,027
Subordinated liabilities and other borrowed funds:				
Wholly repayable within five years	389	245	18,159	11,437
Other	659	566	30,762	26,421
	8,991	9,911	419,700	462,645
Net Interest Income	7,387	6,265	344,825	292,450

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			*2008 versus 2007*		
	Increase/(decrease) in interest due to:		*Net increase/ (decrease) in interest*	*Increase/(decrease) in interest due to:*		*Net increase/ (decrease) in interest*
	Volume US$m	*Rate US$m*	*US$m*	*Volume Rs.m*	*Rate Rs.m*	*Rs.m*
Interest-earning assets						
Cash and unrestricted balances at central banks	10	(17)	(7)	467	(794)	(327)
Loans and advances to banks	318	(911)	(593)	14,844	(42,525)	(27,681)
Loans and advances to customers	1,970	(1,346)	624	91,960	(62,831)	29,128
Investment securities	311	(133)	178	14,517	(6,208)	8,309
Total interest-earning assets	2,609	(2,407)	202	121,788	(112,359)	9,429
Interest-bearing liabilities						
Subordinated liabilities and other borrowed funds	381	(143)	238	17,785	(6,675)	11,110
Interest-bearing current accounts and savings deposits	283	(560)	(277)	13,210	(26,141)	(12,930)
Time and other deposits	1,077	(1,753)	(676)	50,274	(81,830)	(31,556)
Debt securities in issue	(122)	(83)	(205)	(5,695)	(3,874)	(9,569)
Total interest-bearing liabilities	1,619	(2,539)	(920)	75,575	(118,521)	(42,946)

Non-interest income

	2008 US$m	*2007 US$m*	*2008 Rs.m*	*2007 Rs.m*	*Increase %*
Fees and commissions income, net	2,941	2,661	137,286	124,215	11
Net trading income	2,405	1,261	112,265	58,863	91
Other operating income	1,235	880	57,650	41,078	40
Non-interest income	6,581	4,802	307,201	224,157	37

Non-interest income for the financial year ended 31 December 2008 grew by US$1,779 million to US$6,581 million, or 37%, when compared with the equivalent period in 2007.

Net fees and commission income

Net fees and commissions income increased by US$280 million, or 11%, to US$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 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

Net trading income increased US$1,144 million, or 91%, to US$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 ALM.

The following table sets forth, for the periods indicated, the principal components of net trading income:

	2008 *US$m*	*2007* *US$m*	*2008* *Rs.m*	*2007* *Rs.m*
Gains less losses on foreign currency	2,596	862	121,181	40,238
Gains less losses on trading securities	238	102	11,110	4,761
Other trading profits	(429)	297	(20,026)	13,864
	2,405	1,261	112,265	58,863

Other operating income

Other operating income increased US$355 million, or 40%, to US$1,235 million. Other operating income benefited from a US$146 million gain on the disposal of the asset management business in India, and US$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 US$80 million of recoveries in respect of assets that had been fair valued at acquisition in Taiwan, Korea and Pakistan, down US$18 million, or 18%, from 2007.

Operating expenses

Operating expenses increased US$1,396 million, or 22%, to US$7,611 million. Almost 60% of this increase was driven by staff costs which increased 20%, or US$788 million, to US$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 following table sets forth, for the periods indicated, the principal components of operating expenses:

	2008 US$m	*2007 US$m*	*2008 Rs.m*	*2007 Rs.m*
Staff costs:				
Wages and salaries	3,793	2,970	177,057	138,640
Social security costs	93	67	4,341	3,128
Other pension costs	172	213	8,029	9,943
Other staff costs	679	699	31,696	32,629
	4,737	3,949	221,123	184,339
Premises and equipment expenses:				
Rental of premises	337	259	15,731	12,090
Other premises and equipment costs	376	307	17,552	14,331
Rental of computers and equipment	25	26	1,167	1,214
	738	592	34,450	27,635
General administrative expenses	1,711	1,329	79,869	62,038
Depreciation and amortisation expenses:				
Premises	98	78	4,575	3,641
Equipment	152	104	7,095	4,855
Intangibles:				
Software	94	86	4,388	4,014
Acquired on business combinations	81	77	3,781	3,594
	425	345	19,839	16,105
Total Operating Expenses	7,611	6,215	355,281	290,116

Impairment provisions

The charge for loan impairment increased by US$560 million, or 74%, to US$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 PIP as flow rates deteriorated.

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

Profit and Loss, by class of business and geographic markets, for the financial years ended 31 December 2008 and 31 December 2007

The Group is organised on a worldwide basis into two main business segments: Wholesale Banking and Consumer Banking.

By Class of Business

	2008				2007			
	Consumer Banking US$m	*Wholesale Banking US$m*	*Corporate items not allocated US$m*	*Total US$m*	*Consumer Banking US$m*	*Wholesale Banking US$m*	*Corporate items not allocated US$m*	*Total US$m*
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)/releases 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/(loss) 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.

	2008				2007			
	Consumer Banking Rs.million	*Wholesale Banking Rs.million*	*Corporate items not allocated Rs.million*	*Total Rs.million*	*Consumer Banking Rs.million*	*Wholesale Banking Rs.million*	*Corporate items not allocated Rs.million*	*Total Rs.million*
Internal income	(3,641)	3,641	—	—	(3,594)	3,594	—	—
Net interest income	197,176	147,649	—	344,825	195,776	96,674	—	292,450
Other income	84,304	198,297	24,600	307,201	78,843	144,475	840	224,157
Operating income	277,839	349,587	24,600	652,026	271,024	244,743	840	516,608
Operating expenses	(179,391)	(175,890)	—	(355,281)	(158,385)	(131,358)	(373)	(290,116)
Operating profit before impairment losses and taxation	98,448	173,696	24,600	296,745	112,639	113,386	467	226,491
Impairment (losses)/releases on loans and advances and other credit risk provisions	(43,739)	(17,925)	—	(61,664)	(34,356)	(1,167)	—	(35,523)
Other impairment	(2,614)	(15,684)	(3,594)	(21,893)	—	(2,661)	—	(2,661)
Profit/(loss) from associates	—	—	47	47	—	—	47	47
Operating profit	52,095	140,087	21,053	213,234	78,282	109,558	513	188,354
Rights issue option	—	—	10,876	10,876	—	—	—	—
Profit before taxation	52,095	140,087	31,929	224,111	78,282	109,558	513	188,354
Total assets employed	4,038,007	16,204,495	66,472*	20,308,974	4,212,263	11,128,885	57,230*	15,398,378
Total liabilities employed	6,023,074	13,194,382	32,116*	19,249,572	5,176,999	9,180,276	39,725*	14,396,999
Other segment items:								
Capital expenditure	17,505	56,343	—	73,848	19,512	9,709	—	29,222
Depreciation	7,329	4,341	—	11,670	6,348	2,147	—	8,496
Amortisation of intangible assets	4,341	3,828	—	8,169	3,174	4,435	—	7,609

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

By geographic segment

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

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

* Other Asia Pacific does not include Malaysia in the financials pre-dating 1 January 2009 and is counted as a separate geographical area.

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

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

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

	2007									
	Asia Pacific									
	Hong Kong US$million	*Singapore US$million*	*Malaysia US$million*	*Korea US$million*	*Other Asia Pacific US$million*	*India US$million*	*Middle East & Other S Asia US$million*	*Africa US$million*	*Americas UK & Europe US$million*	*Total US$million*
Internal income	(81)	119	11	(58)	16	23	(15)	20	(35)	—
Net interest income	1,288	182	225	1,289	1,118	608	873	444	238	6,265
Fees and commissions Income, net	539	233	83	227	466	353	436	194	130	2,661
Net trading income	180	80	63	(72)	330	145	100	121	314	1,261
Other operating income	142	278	77	178	171	179	34	16	(195)	880
Operating income	2,068	892	459	1,564	2,101	1,308	1,428	795	452	11,067
Operating expenses	(825)	(430)	(185)	(1,146)	(1,213)	(528)	(694)	(468)	(726)	(6,215)
Operating profit before impairment losses and taxation	1,243	462	274	418	888	780	734	327	(274)	4,852
Impairment (losses)/releases on loans and advances and other credit risk provisions	(50)	(16)	(38)	(94)	(318)	(90)	(143)	(27)	15	(761)
Other impairment	—	—	—	—	—	—	—	(2)	(55)	(57)
(Loss)/profit from associates	—	—	—	—	2	—	—	—	(1)	1
Profit/(loss) before taxation	1,193	446	236	324	572	690	591	298	(315)	4,035
Loans and advances to customers – average	23,712	14,897	9,518	41,962	23,545	7,611	10,679	2,437	17,059	151,420
Net interest margin (%)	2.3	1.0	1.8	2.1	2.8	4.3	4.1	5.6	0.2	2.5
Loans and advances to customers – period end	23,364	17,172	10,027	40,229	26,049	7,656	12,646	3,330	16,509	156,982
Loans and advances to banks – period end	15,156	2,531	928	1,504	4,866	552	1,406	371	10,365	37,679
Total assets employed*,**	61,348	39,362	14,614	67,244	55,890	23,210	28,616	11,132	85,891	387,307
Total risk weighted assets and contingents (Basel I)†, ††	25,330	15,008	5,324	37,167	26,024	12,377	16,104	3,927	37,524	178,785
Capital expenditure	39	131	9	53	116	138	88	45	7	626

* Amounts have been restated.

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

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

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

	2008									
	Asia Pacific									
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Internal income	47	4,901	(467)	(5,088)	1,634	560	747	93	(2,427)	—
Net interest income	60,497	16,992	12,790	57,603	60,731	33,796	46,260	23,480	32,676	344,825
Fees and commissions income, net	23,667	11,483	2,801	8,542	20,586	21,006	21,099	10,596	17,505	137,286
Net trading income	17,225	21,846	7,095	8,916	25,301	16,338	12,043	7,749	(4,248)	112,265
Other operating income	4,388	11,343	1,821	3,594	5,555	9,803	794	513	19,839	57,650
Operating income	105,824	66,566	24,040	73,568	113,806	81,503	80,943	42,432	63,345	652,026
Operating expenses	(47,474)	(29,735)	(9,896)	(44,579)	(70,440)	(30,155)	(37,951)	(26,328)	(58,723)	(355,281)
Operating profit before impairment losses and taxation	58,350	36,831	14,144	28,988	43,366	51,348	42,992	16,105	4,621	296,745
Impairment losses on loans and advances and other credit risk provisions	(8,542)	(700)	(2,194)	(12,277)	(18,159)	(6,208)	(8,636)	(1,540)	(3,408)	(61,664)
Other impairment	(2,427)	(1,400)	(980)	—	(3,781)	(1,120)	—	—	(12,183)	(21,893)
Profit/(loss) from associates	(47)	—	—	—	187	—	—	—	(93)	47
Operating profit/(loss)	47,334	34,730	10,970	16,711	21,613	44,019	34,356	14,564	(11,063)	213,234
Rights issue option	—	—	—	—	—	—	—	—	10,876	10,876
Profit/(loss) before taxation	47,334	34,730	10,970	16,711	21,613	44,019	34,356	14,564	(187)	224,111
Loans and advances to customers – average	1,242,155	915,395	479,637	1,627,592	1,392,978	402,008	748,794	144,288	1,399,000	8,351,846
Net interest margins (%)	2.1	0.8	1.9	2.5	2.4	3.4	3	4.4	0.4	2.5
Loans and advances to customers – period end	1,307,227	949,891	371,339	1,482,697	1,419,585	367,045	815,780	170,009	1,449,367	8,332,940
Loans and advances to banks – period end	885,193	433,330	19,185	74,408	223,597	13,584	70,207	27,401	491,214	2,238,119
Total assets employed*	3,555,242	2,680,459	650,486	3,288,046	3,208,410	1,463,978	1,782,896	567,349	6,905,559	24,102,424
Total risk weighted assets (Basel II)**	983,641	703,188	294,738	1,261,294	1,434,897	727,181	1,030,228	338,290	2,415,410	9,188,865
Capital expenditure†	1,167	6,535	607	2,754	7,329	8,309	1,867	1,447	43,833	73,848

* Total assets employed includes intra-group items of Rs.3,859,923 million and excludes tax balances of Rs.66,472 million.

** Total risk weighted assets include Rs.374,700 million of intra-group balances which are netted in calculating capital ratios.

† Includes capital expenditure in Americas, UK and Europe of Rs.39,771 million (2007: Rs.Nil million) in respect of operating lease assets.

	2007									
	Asia Pacific									
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Internal income	(3,781)	5,555	513	(2,707)	747	1,074	(700)	934	(1,634)	—
Net interest income	60,124	8,496	10,503	60,171	52,188	28,381	40,752	20,726	11,110	292,450
Fees and commissions income net	25,161	10,876	3,874	10,596	21,753	16,478	20,352	9,056	6,068	124,215
Net trading income	8,402	3,734	2,941	(3,361)	15,404	6,769	4,668	5,648	14,658	58,863
Other operating income	6,629	12,977	3,594	8,309	7,982	8,356	1,587	747	(9,103)	41,078
Operating income	96,534	41,639	21,426	73,008	98,075	61,057	66,659	37,111	21,099	516,608
Operating expenses	(38,511)	(20,072)	(8,636)	(53,495)	(56,623)	(24,647)	(32,396)	(21,846)	(33,890)	(290,116)
Operating profit before	58,023	21,566	12,790	19,512	41,452	36,410	34,263	15,264	(12,790)	226,491
Impairment (losses)/ releases on loans and advances and other credit risk provisions	(2,334)	(747)	(1,774)	(4,388)	(14,844)	(4,201)	(6,675)	(1,260)	700	(35,523)
Other impairment	—	—	—	—	—	—	—	(93)	(2,567)	(2,661)
(Loss)/profit from associates	—	—	—	—	93	—	—	—	(47)	47
Profit/(loss) before taxation	55,689	20,819	11,016	15,124	26,701	32,209	27,588	13,911	(14,704)	188,354
Loans and advances to customers – average	1,106,876	695,392	444,300	1,958,786	1,099,081	355,281	498,496	113,759	796,314	7,068,286
Net interest margin (%)	2.3	1	1.8	2.1	2.8	4.3	4.1	5.6	0.2	2.5
Loans and advances to customers – period end	1,090,632	801,589	468,060	1,877,890	1,215,967	357,382	590,315	155,444	770,640	7,327,920
Loans and advances to banks	707,482	118,147	43,319	70,207	227,145	25,767	65,632	17,318	483,838	1,758,856
Total assets employed*,**	2,863,725	1,837,418	682,182	3,138,950	2,608,945	1,083,443	1,335,795	519,642	4,009,392	18,079,491
Total risk weighted assets	1,182,404	700,573	248,524	1,734,956	1,214,800	577,758	751,735	183,312	1,751,620	8,345,684
Capital expenditure	1,821	6,115	420	2,474	5,415	6,442	4,108	2,101	327	29,222

* Amounts have been restated.

** Total assets employed includes intra-group items of Rs.2,738,342 million and excludes tax balances of Rs.57,230 million.

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

†† Total risk weighted asset and contingents include Rs.324,519 million of intra-group balances which are netted in calculating capital ratios.

Consumer Banking

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

2008	Asia Pacific Hong Kong US$million	Asia Pacific Singapore US$million	Asia Pacific Malaysia US$million	Asia Pacific Korea US$million	Asia Pacific Other Asia Pacific US$million	India US$million	Middle East & Other S Asia US$million	Africa US$million	Americas UK & Europe US$million	Consumer Banking Total US$million	Underlying US$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 US$million	Asia Pacific Singapore US$million	Asia Pacific Malaysia US$million	Asia Pacific Korea US$million	Asia Pacific Other Asia Pacific US$million	India US$million	Middle East & Other S Asia US$million	Africa US$million	Americas UK & Europe US$million	Consumer Banking Total US$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

2008	Asia Pacific Hong Kong Rs.million	Asia Pacific Singapore Rs.million	Asia Pacific Malaysia Rs.million	Asia Pacific Korea Rs.million	Asia Pacific Other Asia Pacific Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Consumer Banking Total Rs.million	Underlying Rs.million
Operating income	54,289	28,848	12,370	47,474	52,655	22,593	32,676	16,058	10,876	277,839	265,236
Operating expenses	(27,401)	(13,491)	(5,975)	(33,890)	(41,032)	(14,798)	(19,139)	(11,670)	(11,997)	(179,391)	(163,007)
Loan impairment	(4,948)	(934)	(2,241)	(7,515)	(12,277)	(4,155)	(8,309)	(887)	(2,474)	(43,739)	(40,565)
Other impairment	(1,167)	—	—	—	(93)	(327)	—	—	(1,027)	(2,614)	(2,614)
Operating profit/ (loss)	20,773	14,424	4,155	6,068	(747)	3,314	5,228	3,501	(4,621)	52,095	59,050

2007	Asia Pacific Hong Kong Rs.million	Asia Pacific Singapore Rs.million	Asia Pacific Malaysia Rs.million	Asia Pacific Korea Rs.million	Asia Pacific Other Asia Pacific Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Consumer Banking Total Rs.million
Operating income	55,456	21,986	12,790	53,309	54,476	19,045	35,057	14,471	4,435	271,024
Operating expenses	(22,313)	(8,916)	(5,415)	(42,339)	(35,477)	(12,510)	(18,439)	(10,456)	(2,521)	(158,385)
Loan impairment	(2,474)	(700)	(1,914)	(4,481)	(14,377)	(3,594)	(6,022)	(794)	—	(34,356)
Operating profit	30,669	12,370	5,462	6,489	4,621	2,941	10,596	3,221	1,914	78,282

For 2008, Consumer Banking's operating income increased by US$146 million, or 3%, to US$5,952 million. Net interest income grew US$30 million, or 1%, to US$4,224 million, with an increase in asset and liabilities volumes offsetting lower margins. Other income grew US$117 million, or 7%, to US$1,806 million.

Across the geographic segments, Singapore, India, Africa and the Americas, UK and Europe all delivered strong double digit income growth. Hong Kong, Malaysia, Korea, 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 US$450 million, or 13%, to US$3,843 million. Against a backdrop of slowing revenue growth the Group has been rigorous in reducing the cost base. Headcount has been reduced which has created capacity in the expense base for investment in infrastructure such as branch renovations in Korea, China and Taiwan, a continuation of the Private Banking roll out in China, Hong Kong and Singapore and product rollouts across the franchise.

Loan impairment increased by US$201 million, or 27%, to US$937 million. Worsening credit conditions have driven up impairment charges across the franchise in the latter part of 2008, most notably in the unsecured and SME portfolios in Hong Kong, Korea, the UAE and India. Individual impairment provision accounts for US$121 million of the increase and US$80 million from PIP. AEB accounts for US$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%. The Group also took taken early action to tighten lending criteria, adjust pricing to reflect the higher risk environment and to increase collections resources.

Operating profit fell US$561 million, or 33%, to US$1,116 million.

Product Performance

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

Operating income by product	*2008 US$m*	*2007 US$m*	*2008 Rs.m*	*2007 Rs.m*
Cards, Personal Loans and Unsecured Lending	2,106	2,089	98,308	97,515
Wealth Management and Deposits	2,789	2,621	130,191	122,348
Mortgages and Auto Finance	928	906	43,319	42,292
Other	129	190	6,022	8,869
Total operating income	5,952	5,806	277,839	271,024

Cards, Personal Loans and Unsecured Lending grew operating income by US$17 million, or 1%, to US$2,106 million. Excluding the revenue from the partial sale of Visa shares of US$17 million, US$107 million in 2007, income growth was 5%. 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 US$168 million, or 6%, to US$2,789 million. Falling equity markets and retail customer risk aversion following the collapse of Lehman Brothers adversely affected fee income, primarily in funds and structured notes sales, where income in the second half of the year was down over 50% and 67% respectively, with Hong Kong and Taiwan being particularly affected. This reduction in fee income was partly offset by customers switching into 'all weather' products such as treasury, capital protected and deposit products. Wealth Management liabilities grew by 19% driven by deposit product innovation such as Marathon Savings in Hong Kong, E$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 2008.

Mortgages and Auto Finance income grew by US$22 million, or 2%, to US$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 Performance

Hong Kong

Income was down US$25 million, or 2%, to US$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 US$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%, which more than compensated for reduced margins. Operating expenses grew US$109 million, or 23%, to US$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 US$134 million, or 19%, to US$576 million. Loan impairment grew US$53 million, or 100%, to US$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 US$25 million reflects impairment on strategic investments. Operating profit was down US$212 million, or 32%, to US$445 million.

Singapore

Income grew US$147 million, or 31%, to US$618 million. Income from mortgages rose, supported by lower customer attrition, and stronger sales which resulted in a doubling in share of new market sales to 20%. 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%, mainly from the acquisition of AEB.

Income was driven up by customer deposits which grew by 60% 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 US$98 million, or 51%, to US$289 million. Flow through costs from 2007 investments in Private Banking and other products contributed US$31 million of this increase. Working profit grew US$49 million, or 18%, to US$329 million. Loan impairment was up US$5 million, or 33%, to US$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 US$44 million, or 17%, to US$309 million.

Malaysia

Income was down US$9 million, or 3%, to US$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 US$12 million, or 10%, to US$128 million. Expenses were driven higher by projects, reorganisation expenses and also costs related to product development. Working profit was down US$21 million, or 13%, to US$137 million. Loan impairment was up US$7 million, or 17%, to US$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 US$28 million, or 24%, to US$89 million.

Korea

Income was down US$125 million, or 11%, to US$1,017 million. On a constant currency basis income rose 4%. Income was adversely affected by the sharp downturn in the investment services market, where in the second half of 2008 income fell 52% 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 US$14 million on assets that had been fair valued at acquisition, although this was down US$53 million from 2007. Income also included a credit of US$24 million from the economic hedges of the mortgage portfolio, which had an adverse impact on income of US$102 million in 2007. Operating expenses were down US$181 million, or 20%, to US$726 million. On a constant currency basis expenses fell 5%. Expenses were tightly controlled with the extension of an early retirement program helping reduce headcount and salary costs. Approximately 200 staff were redeployed to sales areas, with a similar number taking early retirement. Expenses also 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 US$56 million, or 24%, to US$291 million. On a constant currency basis working profit was up 39%. Loan impairment was up US$65 million, or 68%, to US$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 US$9 million, or 6%, to US$130 million, though on a constant currency basis operating profit increased by 2%.

Other Asia Pacific

Income was down US$39 million, or 3%, to US$1,128 million. In China income was up 20% to US$143 million driven by deposit growth of 53% and strong volume growth in personal loans, mortgages and Business Installment Loans, although Wealth Management sales fell in the second half of the year. In Thailand income reduced as secured lending volumes fell and margins compressed. Taiwan saw a sharp decrease in Wealth Management income as consumer confidence fell sharply in the light of volatile equity markets. Income in Taiwan benefited from recoveries of US$37 million on assets that had been fair valued at acquisition, up US$36 million from 2007. Operating expenses in Other Asia Pacific were up US$119 million, or 16%, to US$879 million. Expenses were up US$103 million in China to US$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 US$158 million, or 39%, to US$249 million, with loan impairment down US$45 million, or 15%, to US$263 million. Thailand saw a reduction in impairment as actions taken to de-risk the portfolios took effect. In Taiwan, impairment was down as collection efforts were enhanced in the face of a weakening credit environment and the introduction of new bankruptcy laws. In China loan impairment was up US$5 million to US$14 million and other impairment was US$2 million. Overall, the operating loss of US$16 million in Other Asia Pacific was down US$115 million on 2007. Losses in China increased from US$25 million to US$111 million.

India

Income was up US$76 million, or 19%, to US$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. Card income fell as margins were squeezed and volumes were also reduced to de-risk the portfolio. Operating expenses were up US$49 million, or 18%, to US$317 million. Expenses were driven higher by flow through investment costs from 2007 and incremental premises and technology costs. Working profit was up US$27 million, or 19%, to US$167 million. Loan impairment was up US$12 million, or 16%, to US$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 US$7 million, reflecting impairment on strategic investments. Operating profit was up US$8 million, or 13%, to US$71 million.

MESA

Income was down US$51 million, or 7%, to US$700 million. In the UAE income fell 3%, as deposit spreads fell in a low interest rate environment, and a weaker performance in the Wealth Management business was only partially compensated for by liability growth of 11%. 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% year on year. Operating expenses in MESA were up US$15 million, or 4%, to US$410 million. In the 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 9%, partly offset by expenditure on the branch network. Working profit in MESA was down US$66 million, or 19%, to US$290 million, and loan impairment was up US$49 million, or 38%, to US$178 million. The principal increase was in the UAE where loan impairment was up over 90% driven by unsecured lending and in the SME sector, with some early signs of stress in the mortgage book as property prices fall and loan to value amounts increase. As a result of falling income, increased expenses and loan impairment, operating profit for the MESA region fell US$115 million, or 51%, to US$112 million.

Africa

Income was up US$34 million, or 11%, to US$344 million. In Nigeria, recent investments in branches helped drive performance with income up US$15 million, or 58%, with liability growth of 41%. In Uganda and Zambia, income growth was strong, increasing by 36% and 33% 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 US$26 million, or 12%, to US$250 million. Staff costs were driven higher across the region primarily due to wage inflation. Zambia and Ghana both incurred redundancy costs as the organisations were restructured. Working profit in Africa was up US$8 million, or 9%, to US$94 million. Loan impairment was up US$2 million, or 12%, to US$19 million. Operating profit in Africa was up US$6 million, or 9%, to US$75 million.

Americas, UK and Europe

The impact of the AEB acquisition was material. Underlying income increased US$13 million, or 14% to US$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 US$1 million, or 2%, to US$55 million. Underlying working profit was up US$12 million, or 29%, to US$53 million. Underlying other impairment was up US$22 million representing provisions on strategic investments, which eliminated the improvements made at the working profit level. Underlying operating profit was down US$10 million, or 24%, to US$31 million.

Wholesale Banking

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

	2008										
	Asia Pacific										
	Hong Kong US$million	Singapore US$million	Malaysia US$million	Korea US$million	Other Asia Pacific US$million	India US$million	Middle East & Other S Asia US$million	Africa US$million	Americas UK & Europe US$million	Wholesale Banking Total US$million	Underlying US$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 US$million	*Singapore US$million*	*Malaysia US$million*	*Korea US$million*	*Other Asia Pacific US$million*	*India US$million*	*Middle East & Other S Asia US$million*	*Africa US$million*	*Americas UK & Europe US$million*	*Wholesale Banking Total US$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

	2008										
	Asia Pacific										
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Wholesale Banking Total Rs.million*	*Underlying Rs.million*
Operating income	51,535	37,717	11,670	26,094	61,151	52,095	48,267	26,374	34,683	349,587	336,423
Operating expenses	(20,072)	(16,245)	(3,921)	(10,690)	(29,408)	(15,358)	(18,812)	(14,658)	(46,727)	(175,890)	(164,127)
Loan impairment	(3,594)	233	47	(4,761)	(5,882)	(2,054)	(327)	(654)	(934)	(17,925)	(17,645)
Other impairment	(1,260)	(1,400)	(980)	—	(3,688)	(794)	—	—	(7,562)	(15,684)	(15,684)
Operating profit/(loss)	26,608	20,306	6,815	10,643	22,173	33,890	29,128	11,063	(20,539)	140,087	138,966

	2007									
	Asia Pacific									
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Wholesale Banking Total Rs.million*
Operating income	40,612	19,652	8,589	19,512	43,552	41,965	31,556	22,640	16,665	244,743
Operating expenses	(16,198)	(11,157)	(3,221)	(11,157)	(20,773)	(12,137)	(13,957)	(11,390)	(31,369)	(131,358)
Loan impairment	140	(47)	140	93	(467)	(607)	(654)	(467)	700	(1,167)
Other impairment	—	—	—	—	—	—	—	(93)	(2,567)	(2,661)
Operating profit/(loss)	24,554	8,449	5,508	8,449	22,313	29,222	16,945	10,690	(16,571)	109,558

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

Operating expenses grew US$954 million, or 34%, to US$3,768 million. Approximately a third of this increase was driven by staff expenses. The business continued to invest in skills and expertise, building in areas such as sales, trading and financial institutions teams. Flow through expenses from projects and new investments also drove up expenses together with increased property costs. In the light of market uncertainty, Wholesale Banking reduced its expense run rate in the latter part of the year and second half expenses were 6% lower than the first half.

Working profit increased US$1,292 million, or 53%, to US$3,721 million.

Loan impairment increased US$359 million to US$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 US$171 million, and on ABS of US$41 million, and impairment provisions being taken against bonds of US$60 million and other strategic investments of US$55 million.

Operating profit increased US$654 million, or 28%, to US$3,001 million.

Product Performance

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 US$1,023 million in 2008 and US$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 US$551 million in 2008 and US$537 million in 2007, has been separated into 'Lending and Portfolio Management'. 'Global Markets' remains unchanged. An analysis of Wholesale Banking income by product is set out below:

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

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

Financial Markets income by desk	*2008 US$million*	*2007 US$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

Operating income by product	2008 Rs. million	2007 Rs. million
Lending and Portfolio Management	25,721	25,067
Transaction Banking	124,309	94,900
Global Markets*		
Financial Markets	110,398	61,758
ALM	42,572	23,153
Corporate Finance	34,777	21,193
Principal Finance	11,810	18,672
Total Global Markets	199,557	124,776
Total operating income	349,587	244,743

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

Financial Markets income by desk	2008 Rs. million	2007 Rs. million
Foreign Exchange	55,736	47,474
Rates	34,917	7,375
Commodities and Equities	6,582	2,287
Capital Markets	10,923	12,090
Credit and Other	2,241	(7,469)
Total Financial Markets operating income	110,398	61,758

Lending and Portfolio Management income increased by US$14 million, or 3%, to US$551 million. Gross lending was up 47% year on year but was impacted by higher portfolio management costs in line with higher distribution activity.

Transaction Banking income increased by US$630 million, or 31%, to US$2,663 million. The increase in income was driven by Trade, where income increased by 46%, 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% year on year, driven by a 24% increase in volumes, more than offsetting the effects of reduced margins.

Global Markets' income increased by US$1,602 million, or 60%, to US$4,275 million.

The Financial Markets business is primarily driven by client income. Financial Markets grew income US$1,042 million, or 79%, to US$2,365 million with strong growth across most products. Foreign exchange income increased 17% 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 the UAE. Enhanced risk management practices, correct positioning on rate reductions, and gains from government bonds all helped drive income higher.

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

Corporate Finance income was up 64% 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% year on year due to adverse mark-to-market valuations as a result of distressed global equity markets.

Geographical performance

Hong Kong

Income was up US$234 million, or 27%, to US$1,104 million. Client revenue was up 23% and comprised over 85% of total income. Transaction Banking grew US$45 million, or 11%, as strong volume growth more than offset the impact of reduced margins in a lower rate environment. Operating expenses grew US$83 million, or 24%, to US$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 US$151 million, or 29%, to US$674 million. Loan impairment grew US$80 million, from a net recovery of US$3 million in 2007. This was primarily due to deterioration in the local corporate and middle market segments. Other impairment of US$27 million reflects provisions for strategic investments. Operating profit was up US$44 million, or 8%, to US$570 million.

Singapore

Income grew US$387 million, or 92%, to US$808 million. Own account had a very strong year delivering strong income growth as ALM and fixed income trading were able to take advantage of volatile market conditions. Client income increased 50% with interest rate derivative sales, foreign exchange and debt capital markets all performing well. Operating expenses grew US$109 million, or 46%, to US$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 US$278 million, or 153%, to US$460 million. Loan impairment was down US$6 million, to a net recovery of US$5 million and was reflective of strong risk management processes. Other impairment of US$30 million represents provisions made against private equity investments. Operating profit was up US$254 million, or 140%, to US$435 million.

Malaysia

Income was up US$66 million, or 36%, to US$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 US$15 million, or 22%, to US$84 million. Expenses were driven higher by higher staff costs from variable compensation and from investment costs. Working profit was up US$51 million, or 44%, to US$166 million. The continued net recovery position reflects strong risk management and collections efforts. Other impairment was up US$21 million as provisions were made against private equity investments. Operating profit was up US$28 million, or 24%, to US$146 million.

Korea

The business had a good year. Income was up US$141 million, or 34%, to US$559 million. On a constant currency basis income rose 55%. The weakening of the won provided opportunities to drive significant income gains on foreign exchange and derivatives sales. In the latter half of the year interest rate derivative sales also made strong advances as prevailing interest rates moved favourably. Income benefited from recoveries of US$4 million on assets that had been fair valued at acquisition, though this was down US$28 million from 2007. Income also benefited from a US$32 million credit to income from the economic hedges of the mortgage portfolio, as compared to an adverse charge in 2007 of US$53 million. Income was also adversely impacted by a US$118 million reversal of income relating to foreign exchange option contracts. Operating expenses were down US$10 million, or 4%, to US$229 million. On a constant currency basis, expenses rose 13%. 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 US$151 million, or 84%, to US$330 million. On a constant currency basis, working profit rose 109%. Loan impairment was up US$104 million, from a net recovery of US$2 million in 2007. This was driven up US$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 US$47 million, or 26%, to US$228 million. On a constant currency basis, operating profit rose 43%.

Other Asia Pacific

Income was up US$377 million, or 40%, to US$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 increase income. Income in Taiwan benefited from recoveries of US$21 million on assets that had been fair valued at acquisition, up US$18 million from 2007. China, Indonesia and Vietnam all saw an increase in foreign exchange and derivative sales. In China income was up 29% to US$489 million. Operating expenses in Other Asia Pacific were up US$185 million, or 42%, to US$630 million. Expenses across all countries were driven higher by staff and premises costs and investments. In China operating expenses were up 40% to US$229 million. Working profit across the region was up US$192 million, or 39%, to US$680 million. Loan impairment was up US$116 million from US$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 US$12 million to US$13 million. Other impairment in Other Asia Pacific was up US$79 million as provisions were made against private equity investments; US$70 million of this increase relates to China. Operating profit was down US$3 million, or 1%, to US$475 million, of which US$177 million came from China.

India

Income was up US$217 million, or 24%, to US$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%. Own account performed well driven by Trading and ALM offset by lower Principal Finance. Operating expenses were up US$69 million, or 27%, to US$329 million. Staff and premises related costs contributed to an increase in expenses. Working profit was up US$148 million, or 23%, to US$787 million. Loan impairment was up US$31 million, or 238%, to US$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 US$17 million as provisions were made against private equity and strategic investments. Operating profit was up US$100 million, or 16%, to US$726 million.

MESA

Income was up US$358 million, or 53%, to US$1,034 million. Client revenues increased by 33% and own account revenues also grew strongly. Islamic banking income grew by over 60%. The UAE led income growth in MESA with an overall increase of 84%, driven by lending, corporate finance and trade. Pakistan delivered income growth of 8%. This was driven by good growth in both the customer and own account areas. Operating expenses in MESA were up US$104 million, or 35%, to US$403 million driven by staff and investment expenditure. Working profit was up US$254 million, or 67%, to US$631 million. Loan impairment was down US$7 million, or 50%, to US$7 million. Operating profit in MESA was up US$261 million, or 72%, to US$624 million.

Africa

Income was up US$80 million, or 16%, to US$565 million. Operating income growth was client led, up 29%, and now forms 78% of total income. This growth was driven by treasury products and in particular Financial Market sales and Corporate Finance, where combined revenue grew US$71 million, or 40%, to US$250 million. Nigeria saw good income growth of 23%, driven by Financial Market sales and Corporate Finance. In Ghana, Botswana, Uganda and Zambia, the combined income grew 19%. Transaction Banking revenue across the region grew by 17% with trade finance up over 40%. Operating expenses in Africa were up US$70 million, or 29%, to US$314 million. Working profit was up US$10 million, or 4%, to US$251 million. Loan impairment was up US$4 million, or 40%, to US$14 million. Operating profit was up US$8 million, or 3%, to US$237 million.

Americas, UK and Europe

The impact of the AEB acquisition was material. Income on an underlying basis increased by US$116 million, or 32%, to US$473 million. Growth in client revenues in fixed income sales was strong, up 23%, and Corporate Advisory and Structured Finance up 75%. ALM also performed well taking advantage of declining interest rates. The income growth was, however, offset by higher credit loss provisions. Underlying expenses grew US$123 million, or 18%, to US$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 US$28 million from a net recovery position of US$15 million in 2007. Other impairment charges increased by US$107 million to US$162 million. This was due to provisions taken for impairment on debt securities, private equity and strategic investments. Impairment on ABS was up US$6 million to US$41 million. The underlying operating loss increased from US$355 million to US$497 million.

Risk management review for the financial year ended 31 December 2008

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% 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 the UAE, which have seen rapid growth in consumer debt over the last few years, impairment rates in unsecured products such as Cards and Personal Loans began to increase. There was an increase in impairment rates of unsecured portfolios in Hong Kong and Korea, driven by a rise in personal bankruptcy petitions. The performance of SME portfolios in Hong Kong, Korea, Taiwan and China has deteriorated as economic activity has slowed. The performance of Residential Mortgages remained stable.

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

Severe dislocation of the 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 1% of total Group assets and had limited impact on the Group's performance.

Market risk is tightly monitored using 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 AEB 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 FSA, the Group has been using the advanced 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.

Exchange rates	*Year ended 31.12.08*	*Year ended 31.12.07*
Indian Rupee		
Average	43.50	41.08
Period end	48.45	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

Risk management 2008

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.

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 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.

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 US$21.5 billion to US$178.5 billion.

Compared to 2007, the Consumer Banking portfolio in 2008 has declined by US$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 US$1.4 billion and US$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 2% 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 US$5.5 billion, or 24%.

Growth in the Wholesale Banking customer portfolio was US$23.2 billion, or 31%. Over 18% of that growth was in Other Asia Pacific, widely spread across a number of countries. The growth in the 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%. 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 US$ million	Singapore US$ million	Malaysia US$ million	Korea US$ million	Other Asia Pacific US$ million	India US$ million	Middle East & Other S Asia US$ million	Africa US$ million	Americas UK & Europe US$ million	Total US$ 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 US$4,334 million held at fair value through profit or loss. Total loans and advances to banks include US$1,363 million held at fair value through profit or loss.

	2007									
	Asia Pacific									
	Hong Kong US$ million	Singapore US$ million	Malaysia US$ million	Korea US$ million	Other Asia Pacific US$ million	India US$ million	Middle East & Other S Asia US$ million	Africa US$ million	Americas UK & Europe US$ million	Total US$ 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 US$2,716 million held at fair value through profit or loss. Total loans and advances to banks include US$2,314 million held at fair value through profit or loss.

	2008									
	Asia Pacific									
	Hong Kong Rs.million	Singapore Rs.million	Malaysia Rs.million	Korea Rs.million	Other Asia Pacific Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Total Rs.million
Loans to individuals										
Mortgages	605,766	282,134	98,682	799,162	311,449	67,546	41,592	7,982	6,115	2,220,428
Other	131,918	164,734	50,274	204,598	201,284	42,479	127,997	26,328	51,628	1,001,239
Small and medium enterprises	60,124	81,877	39,305	168,188	84,864	51,021	33,143	7,936	17,272	543,729
Consumer Banking	797,808	528,744	188,260	1,171,948	597,597	161,046	202,731	42,245	75,015	3,765,396
Agriculture, forestry and fishing	1,260	3,034	1,914	1,587	7,095	1,587	4,948	17,878	26,234	65,539
Construction	6,629	3,781	1,914	17,132	17,878	14,237	38,418	1,867	6,675	108,531
Commerce	100,362	125,336	18,532	45,000	146,388	34,963	193,722	33,843	111,799	809,945
Electricity, gas and water	21,146	700	3,688	4,341	21,146	1,587	11,297	3,314	58,163	125,382
Financing, insurance and	161,279	107,504	19,512	19,932	119,968	24,880	155,398	21,146	563,661	1,193,281
Governments	—	17,085	104,563	—	57,883	—	17,878	1,214	19,932	218,556
Mining and quarrying	—	16,571	47	1,214	8,076	4,855	11,997	9,056	219,863	271,678
Manufacturing	128,650	53,822	24,927	162,213	342,258	105,263	87,012	27,915	228,359	1,160,418
Commercial real estate	63,158	59,050	140	36,737	57,977	15,498	24,554	467	39,165	296,745
Transport, storage and communication	21,940	17,085	8,869	16,618	34,123	5,648	56,856	10,270	98,635	270,044
Other	7,842	19,372	373	10,130	18,439	560	14,891	2,241	3,968	77,816
Wholesale Banking	512,266	423,341	184,479	314,903	831,231	209,080	616,970	129,210	1,376,453	4,597,933
Portfolio impairment provision	(2,847)	(2,194)	(1,400)	(4,155)	(9,243)	(3,081)	(3,921)	(1,447)	(2,101)	(30,389)
Total loans and advances to customers	1,307,227	949,891	371,339	1,482,697	1,419,585	367,045	815,780	170,009	1,449,367	8,332,940
Total loans and advances to banks	885,193	433,330	19,185	74,408	223,597	13,584	70,207	27,401	491,214	2,238,119

Total loans and advances to customers include Rs.202,311 million held at fair value through profit or loss. Total loans and advances to banks include Rs.63,625 million held at fair value through profit or loss.

	2007									
	Asia Pacific									
	Hong Kong Rs.million	Singapore Rs.million	Malaysia Rs.million	Korea Rs.million	Other Asia Pacific Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Total Rs.million
Loans to individuals										
Mortgages	552,925	215,428	113,946	1,056,555	295,624	76,462	23,013	11,857	5,602	2,351,412
Other	106,804	65,165	46,773	219,956	183,406	56,389	132,058	28,708	7,936	847,195
Small and medium enterprises	55,456	78,749	38,651	277,139	110,865	42,946	30,809	6,675	93	641,383
Consumer Banking	715,184	359,343	199,370	1,553,650	589,895	175,797	185,880	47,240	13,631	3,839,990
Agriculture, forestry and fishing	747	7,609	4,761	1,214	8,682	2,381	9,009	15,638	24,694	74,735
Construction	5,181	1,634	1,774	9,523	11,483	10,503	22,733	2,241	1,260	66,332
Commerce	87,058	97,748	17,225	20,259	117,167	33,703	113,432	32,816	82,063	601,472
Electricity, gas and water	25,674	3,548	2,101	8,216	16,431	420	19,185	12,930	41,218	129,724
Financing, insurance and	99,382	86,731	28,288	42,479	106,244	26,421	70,814	10,596	211,927	682,882
Governments	—	150,310	183,966	373	1,214	—	15,918	373	12,370	364,524
Mining and quarrying	—	1,447	373	4,341	7,422	3,034	11,110	6,442	127,063	161,233
Manufacturing	89,065	32,723	21,146	164,920	275,225	83,511	71,140	17,458	173,976	929,165
Commercial real estate	49,014	31,509	140	51,068	46,447	16,992	4,621	373	467	200,631
Transport, storage and communication	14,611	15,078	9,756	5,788	31,742	6,395	33,096	9,149	77,489	203,105
Other	6,909	15,778	327	19,792	12,510	840	37,157	1,027	4,761	99,102
Wholesale Banking	377,641	444,114	269,857	327,974	634,568	184,199	408,217	109,044	757,290	3,512,903
Portfolio impairment provision	(2,194)	(1,867)	(1,167)	(3,734)	(8,496)	(2,614)	(3,781)	(840)	(280)	(24,974)
Total loans and advances to customers	1,090,632	801,589	468,060	1,877,890	1,215,967	357,382	590,315	155,444	770,640	7,327,920
Total loans and advances to banks	707,482	118,147	43,319	70,207	227,145	25,767	65,632	17,318	483,838	1,758,856

Total loans and advances to customers include Rs.126,783 million held at fair value through profit or loss. Total loans and advances to banks include Rs.108,018 million held at fair value through profit or loss.

Maturity Analysis

Approximately 52% 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% of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 59% 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 US$million	*One to five years US$million*	*Over five years US$million*	*Total US$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 US$million	*One to five years US$million*	*Over five years US$million*	*Total US$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

	2008			
	One year or less Rs.million	*One to five years Rs.million*	*Over five years Rs.million*	*Total Rs.million*
Loans to individuals				
Mortgages	110,025	321,298	1,789,104	2,220,428
Other	540,321	332,268	128,650	1,001,239
Small and medium enterprises	316,490	123,842	103,396	543,729
Consumer Banking	966,836	777,409	2,021,151	3,765,396
Agriculture, forestry and fishing	47,053	12,090	6,395	65,539
Construction	90,699	16,618	1,214	108,531
Commerce	734,370	68,946	6,629	809,945
Electricity, gas and water	51,721	16,105	57,556	125,382
Financing, insurance and business services	889,581	281,294	22,406	1,193,281
Governments	208,940	2,007	7,609	218,556
Mining and quarrying	151,150	67,639	52,888	271,678
Manufacturing	854,244	247,077	59,097	1,160,418
Commercial real estate	102,042	189,708	4,995	296,745
Transport, storage and communication	139,480	81,363	49,201	270,044
Other	59,330	15,731	2,754	77,816
Wholesale Banking	3,328,611	998,579	270,744	4,597,933
Portfolio impairment provision				(30,389)
				8,332,940

	2007			
	One year or less Rs.million	*One to five years Rs.million*	*Over five years Rs.million*	*Total Rs.million*
Loans to individuals				
Mortgages	162,913	374,700	1,813,798	2,351,412
Other	417,366	341,931	87,898	847,195
Small and medium enterprises	374,747	163,100	103,536	641,383
Consumer Banking	955,026	879,731	2,005,233	3,839,990
Agriculture, forestry and fishing	62,178	10,596	1,961	74,735
Construction	52,655	11,623	2,054	66,332
Commerce	540,788	49,761	10,923	601,472
Electricity, gas and water	80,616	18,579	30,529	129,724
Financing, insurance and business services	563,568	95,881	23,433	682,882
Governments	355,608	4,014	4,901	364,524
Mining and quarrying	70,720	48,034	42,479	161,233
Manufacturing	728,348	146,015	54,802	929,165
Commercial real estate	128,883	70,487	1,260	200,631
Transport, storage and communication	110,772	45,746	46,587	203,105
Other	79,543	16,245	3,314	99,102
Wholesale Banking	2,773,679	516,981	222,243	3,512,903
Portfolio impairment provision				(24,974)
				7,327,920

Problem Credit Management and Provisioning

For an explanation of credit management and provisioning for Consumer Banking, Wholesale Banking and country risk, market risk, derivatives, hedging, liquidity risk, operational risk, regulatory risk, legal risk, reputational risk and monitoring, please refer to "*Problem Credit Management and Provisioning*" in the section titled "*Business*" on page 114 of this Red Herring Prospectus.

Consumer Banking

The table below sets out the total non-performing loans in Consumer Banking, which includes US$543 million (2007: US$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.

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

	2008									
	Asia Pacific									
	Hong Kong US$ million	*Singapore US$ million*	*Malaysia US$ million*	*Korea US$ million*	*Other Asia Pacific US$ million*	*India US$ million*	*Middle East & Other S Asia US$ million*	*Africa US$ million*	*Americas UK & Europe US$ million*	*Total US$ 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 US$ million	*Singapore US$ million*	*Malaysia US$ million*	*Korea US$ million*	*Other Asia Pacific US$ million*	*India US$ million*	*Middle East & Other S Asia US$ million*	*Africa US$ million*	*Americas UK & Europe US$ million*	*Total US$ 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%

	2008									
	Asia Pacific									
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Loans and advances										
Gross non-performing	3,968	3,034	7,656	13,397	20,399	2,287	7,936	1,634	4,435	64,745
Individual impairment provision	(1,821)	(840)	(1,914)	(3,548)	(11,670)	(467)	(3,314)	(560)	(1,214)	(25,347)
Non-performing loans net of individual impairment provision	2,147	2,194	5,742	9,849	8,729	1,821	4,621	1,074	3,221	39,398
Portfolio impairment provision										(20,959)
Net non-performing loans										18,439
Cover ratio										72%

	2007									
	Asia Pacific									
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Loans and advances										
Gross non-performing	3,034	2,847	7,749	15,684	22,173	2,614	5,882	1,774	47	61,804
Individual impairment provision	(1,120)	(1,214)	(1,774)	(5,835)	(15,358)	(887)	(3,501)	(840)	(47)	(30,575)
Non-performing loans net of individual impairment provision	1,914	1,634	5,975	9,849	6,815	1,727	2,381	934	—	31,229
Portfolio impairment provision										(19,232)
Net non-performing loans										11,997
Cover ratio										81%

	2008									
	Asia Pacific									
	Hong Kong US$ million	*Singapore US$ million*	*Malaysia US$ million*	*Korea US$ million*	*Other Asia Pacific US$ million*	*India US$ million*	*Middle East & Other S Asia US$ million*	*Africa US$ million*	*Americas UK & Europe US$ million*	*Total US$ 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 (credit)/ charge	98	13	42	149	270	82	172	16	56	898
Portfolio impairment provision										39
Net impairment charge										937

	2007									
	Asia Pacific									
	Hong Kong US$ million	*Singapore US$ million*	*Malaysia US$ million*	*Korea US$ million*	*Other Asia Pacific US$ million*	*India US$ million*	*Middle East & Other S Asia US$ million*	*Africa US$ million*	*Americas UK & Europe US$ million*	*Total US$ 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 (credit)/ charge	56	14	45	96	373	65	114	14	—	777
Portfolio impairment provision										(41)
Net impairment charge										736

	2008									
	Asia Pacific									
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Gross impairment charge	6,302	1,821	3,968	7,702	16,665	5,135	9,196	1,260	2,988	55,036
Recoveries/provisions no longer required	(1,727)	(1,214)	(2,007)	(747)	(4,061)	(1,307)	(1,167)	(513)	(373)	(13,117)
Net individual impairment (credit)/ charge	4,575	607	1,961	6,955	12,604	3,828	8,029	747	2,614	41,919
Portfolio impairment provision										1,821
Net impairment charge										43,739

	2007									
	Asia Pacific									
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Gross impairment charge	4,575	2,101	5,041	5,322	21,846	4,248	7,142	1,074	—	51,348
Recoveries/provisions no longer required	(1,961)	(1,447)	(2,941)	(840)	(4,435)	(1,214)	(1,821)	(420)	—	(15,078)
Net individual impairment (credit)/ charge	2,614	654	2,101	4,481	17,412	3,034	5,322	654	—	36,270
Portfolio impairment provision										(1,914)
Net impairment charge										34,356

Wholesale Banking

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 US$ million	*Singapore US$ million*	*Malaysia US$ million*	*Korea US$ million*	*Other Asia Pacific US$ million*	*India US$ million*	*Middle East & Other S Asia US$ million*	*Africa US$ million*	*Americas UK & Europe US$ million*	*Total US$ 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 US$ million	*Singapore US$ million*	*Malaysia US$ million*	*Korea US$ million*	*Other Asia Pacific US$ million*	*India US$ million*	*Middle East & Other S Asia US$ million*	*Africa US$ million*	*Americas UK & Europe US$ million*	*Total US$ 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%

	2008									
	Asia Pacific									
	Hong Kong Rs.million	Singapore Rs.million	Malaysia Rs.million	Korea Rs.million	Other Asia Pacific Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Total Rs.million
Loans and advances										
Gross non-performing	9,383	140	747	9,009	24,134	2,847	11,250	3,734	14,377	75,622
Individual impairment provision	(5,835)	(93)	(747)	(3,641)	(13,911)	(1,587)	(4,621)	(1,961)	(4,061)	(36,457)
Non-performing loans and advances net of individual impairment provision	3,548	47	—	5,368	10,223	1,260	6,629	1,774	10,316	39,165
Portfolio impairment provision										(9,709)
Net non-performing loans and advances										29,455
Cover ratio										61%

	2007									
	Asia Pacific									
	Hong Kong Rs.million	Singapore Rs.million	Malaysia Rs.million	Korea Rs.million	Other Asia Pacific Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Total Rs.million
Loans and advances										
Gross non-performing	4,295	1,214	1,074	2,194	16,711	1,260	6,862	3,688	9,009	46,307
Individual impairment provision	(2,334)	(840)	(980)	(560)	(10,970)	(1,167)	(5,695)	(2,241)	(4,061)	(28,848)
Non-performing loans and advances net of individual impairment provision	1,961	373	93	1,634	5,742	93	1,167	1,447	4,948	17,458
Portfolio impairment provision										(5,788)
Net non-performing loans and advances										11,670
Cover ratio										75%

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

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

	2008									
	Asia Pacific									
	Hong Kong Rs.million	Singapore Rs.million	Malaysia Rs.million	Korea Rs.million	Other Asia Pacific Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Total Rs.million
Gross impairment charge	4,388	—	—	4,155	5,508	1,634	280	373	2,054	18,392
Recoveries/provisions no longer required	(934)	(140)	(93)	—	(654)	(233)	(327)	(420)	(1,354)	(4,155)
Net individual impairment (credit)/ charge	3,454	(140)	(93)	4,155	4,855	1,400	(47)	(47)	700	14,237
Portfolio impairment provision										3,688
Net impairment charge										17,925

	2007									
	Asia Pacific									
	Hong Kong Rs.million	Singapore Rs.million	Malaysia Rs.million	Korea Rs.million	Other Asia Pacific Rs.million	India Rs.million	Middle East & Other S Asia Rs.million	Africa Rs.million	Americas UK & Europe Rs.million	Total Rs.million
Gross impairment charge	1,027	327	47	233	513	607	840	700	93	4,388
Recoveries/provisions no longer required	(1,167)	(420)	(187)	(140)	(233)	(327)	(513)	(654)	(794)	(4,435)
Net individual impairment (credit)/ charge	(140)	(93)	(140)	93	280	280	327	47	(700)	(47)
Portfolio impairment provision										1,214
Net impairment charge										1,167

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 US$ million	*Singapore US$ million*	*Malaysia US$ million*	*Korea US$ million*	*Other Asia Pacific US$ million*	*India US$ million*	*Middle East & Other S Asia US$ million*	*Africa US$ million*	*Americas UK & Europe US$ million*	*Total US$ 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 US$ million	*Singapore US$ million*	*Malaysia US$ million*	*Korea US$ million*	*Other Asia Pacific US$ million*	*India US$ million*	*Middle East & Other S Asia US$ million*	*Africa US$ million*	*Americas UK & Europe US$ million*	*Total US$ 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

	2008									
	Asia Pacific									
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Provisions held at 1 January 2008	3,454	2,054	2,754	6,395	26,328	2,054	9,196	3,081	4,108	59,424
Exchange translation differences	47	—	(140)	(2,007)	(980)	(467)	(1,307)	(420)	(140)	(5,415)
Amounts written off	(4,388)	(2,241)	(2,474)	(7,282)	(18,532)	(5,322)	(8,309)	(794)	(2,894)	(52,235)
Recoveries of acquisition fair values	—	—	—	(887)	(2,567)	—	(187)	—	—	(3,641)
Recoveries of amounts previously written off	1,447	700	747	93	3,361	1,074	560	—	420	8,402
Acquisitions	—	—	—	140	1,307	—	—	—	700	2,147
Discount unwind	(140)	(47)	(93)	(420)	(1,027)	(47)	(47)	(47)	—	(1,867)
Other	—	—	—	467	233	(47)	47	—	(233)	467
New provisions	9,943	1,821	3,968	11,437	22,173	6,348	9,476	1,540	5,088	71,794
Recoveries/provisions no longer required	(2,707)	(1,354)	(2,101)	(747)	(4,715)	(1,540)	(1,494)	(840)	(1,774)	(17,272)
Net charge against profit	7,235	467	1,867	10,690	17,458	4,808	7,982	700	3,314	54,522
Provisions held at 31 December 2008	7,656	934	2,661	7,189	25,581	2,054	7,936	2,521	5,275	61,804

	2007									
	Asia Pacific									
	Hong Kong Rs.million	*Singapore Rs.million*	*Malaysia Rs.million*	*Korea Rs.million*	*Other Asia Pacific Rs.million*	*India Rs.million*	*Middle East & Other S Asia Rs.million*	*Africa Rs.million*	*Americas UK & Europe Rs.million*	*Total Rs.million*
Provisions held at 1 January 2007	7,422	3,921	4,295	13,304	29,175	1,821	8,216	3,174	7,189	78,516
Exchange translation differences	—	93	233	(47)	280	233	(140)	233	47	934
Amounts written off	(7,515)	(2,894)	(4,295)	(5,975)	(21,846)	(3,921)	(5,368)	(887)	(2,521)	(55,222)
Recoveries of acquisition fair values	—	—	—	(4,575)	—	—	—	—	—	(4,575)
Recoveries of amounts previously written off	1,587	560	747	—	1,961	887	560	47	140	6,489
Discount unwind	(187)	(187)	(187)	(980)	(1,307)	(47)	(47)	(93)	(47)	(3,081)
Other	—	—	—	—	93	47	327	—	—	467
New provisions	5,275	2,427	5,088	5,555	22,593	4,575	7,936	1,634	93	55,176
Recoveries/provisions no longer required	(3,128)	(1,867)	(3,128)	(887)	(4,621)	(1,540)	(2,287)	(1,027)	(794)	(19,279)
Net charge against/(credit to) profit	2,147	560	1,961	4,668	17,972	3,034	5,648	607	(700)	35,897
Provisions held at 31 December 2007	3,454	2,054	2,754	6,395	26,328	2,054	9,196	3,081	4,108	59,424

Asset Backed Securities

Total exposures to Asset Backed Securities – 31 December 2008

The Group had the following exposures to ABS prior to writedowns noted below:

Asset backed securities

Total exposures to asset backed securities

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

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

Asset backed securities

Total exposures to asset backed securities

	31 December 2008				31 December 2007		
	Percentage of notional value of portfolio	Notional Rs.million	Carrying value Rs.million	Fair value[1] Rs.million	Percentage of notional value of portfolio	Notional Rs.million	Carrying value Rs.million
Residential Mortgage Backed Securities ('RMBS')							
– US Alt-A	2%	3,921	2,661	1,634	2%	4,481	4,108
– US Prime	—	93	47	—	—	93	93
– Other	23%	47,800	45,233	40,051	31%	85,191	83,931
Collateralised Debt Obligations ('CDOs')							
– Asset Backed Securities	5%	9,709	1,494	1,400	5%	13,584	5,882
– Other CDOs	9%	17,692	14,284	10,503	7%	19,559	18,299
Commercial Mortgage Backed Securities ('CMBS')							
– US CMBS	3%	6,862	6,022	4,295	3%	7,422	7,189
– Other	15%	31,322	24,507	21,753	16%	45,700	43,833
Other Asset Backed Securities ('Other ABS')	43%	90,326	81,223	72,401	36%	97,328	94,060
	100%	207,726	175,470	152,037	100%	273,358	257,394

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

The carrying value of asset backed securities represents 0.9% (31 December 2007: 1.7%) of the Group's total assets as of 31 December 2008. 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% of the overall portfolio is rated A, or better, and 67% 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% of the overall portfolio is invested in RMBS, with a weighted average credit rating of AA+. 58% of the residential mortgage exposures were originated in 2005 or earlier. 14% 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% 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% of the overall portfolio is in Other ABS, which includes securities backed by credit card receivables, bank collateralized 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.

Writedowns of Asset Backed Securities

	Trading US$million	*Available-for-sale US$million*	*Total US$million*
31 December 2008:			
Charge to available-for-sale reserves	—	(309)	(309)
Charge to the income statement	(74)	(90)	(164)
31 December 2007:			
Charge to available-for-sale reserves	—	(83)	(83)
Charge to the income statement	(44)	(122)	(166)

	Trading Rs.million	*Available-for-sale Rs.million*	*Total Rs.million*
31 December 2008:			
Charge to available-for-sale reserves	—	(14,424)	(14,424)
Charge to the income statement	(3,454)	(4,201)	(7,656)
31 December 2007:			
Charge to available-for-sale reserves	—	(3,874)	(3,874)
Charge to the income statement	(2,054)	(5,695)	(7,749)

Country Risk

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 the UAE.

Cross border exposure to the USA has increased as overnight positions have grown in support of the Group's enhanced clearing capabilities following the acquisition and integration of AEB. 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 1% of the Group's total assets.

	2008			*2007*		
	One year or less US$million	*Over one year US$million*	*Total US$million*	*One year or less US$million*	*Over one year US$million*	*Total US$million*
USA	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
UAE	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

	2008			*2007*		
	One year or less Rs.million	*Over one year Rs.million*	*Total Rs.million*	*One year Rs.million*	*Over one year Rs.million*	*Total Rs.million*
USA	599,325	254,359	853,684	402,475	272,378	674,853
Korea	410,924	328,627	739,551	308,882	200,677	509,559
India	411,064	320,318	731,382	290,723	171,176	461,899
Hong Kong	442,573	193,068	635,642	358,549	142,047	500,596
Singapore	453,496	140,180	593,676	256,273	79,356	335,629
UAE	279,567	212,207	491,774	214,728	140,227	354,955
China	209,126	153,671	362,797	169,635	95,274	264,909
France	143,354	85,658	229,012	99,989	46,727	146,715

Value at Risk

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 AEB in 2008 increased Group VaR by US$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 US$million*	*High US$million*	*Low US$million*	*Actual^^ US$million*	*Average US$million*	*High US$million*	*Low US$million*	*Actual^^ US$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

	2008				2007			
Daily value at risk	*Average Rs.million*	*High Rs.million*	*Low Rs.million*	*Actual^^ Rs.million*	*Average Rs.million*	*High Rs.million*	*Low Rs.million*	*Actual^^ Rs.million*
Interest rate risk*	1,172	1,755	663	1,713	569	915	327	798
Foreign exchange risk	280	406	154	224	149	336	79	205
Commodity risk	61	112	28	98	28	163	9	28
Equity risk	65	112	23	37	28	89	—	65
Total**	1,470	1,984	831	1,947	602	934	350	868

Trading (VaR at 97.5%, 1 day)

	2008				2007			
Daily value at risk	*Average US$million*	*High US$million*	*Low US$million*	*Actual^^ US$million*	*Average US$million*	*High US$million*	*Low US$million*	*Actual^^ US$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

	2008				2007			
Daily value at risk	*Average Rs.million*	*High Rs.million*	*Low Rs.million*	*Actual^^ Rs.million*	*Average Rs.million*	*High Rs.million*	*Low Rs.million*	*Actual^^ Rs.million*
Interest rate risk*	560	747	397	434	289	555	131	513
Foreign exchange risk	280	406	154	224	149	336	79	205
Commodity risk	61	112	28	98	28	163	9	28
Equity risk	65	112	23	37	28	89	—	65
Total**	663	962	429	457	327	584	163	584

^ 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 US$71.1 million (Rs.3,319 million) and average Group VaR for 2008 would have increased by US$1.3 million (Rs.61 million).

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

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

* Interest rate risk VaR includes credit spread risk.

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

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

	2008 US$million	*2007 US$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

	2008 Rs.million	*2007 Rs.million*
Interest rate risk	159	107
Foreign exchange risk	238	140
Commodity risk	28	5
Equity risk	—	—
Total	425	252

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

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

	2008				*2007*			
Daily value at risk	*Average Rs.million*	*High Rs.million*	*Low Rs.million*	*Actual* Rs.million*	*Average Rs.million*	*High Rs.million*	*Low Rs.million*	*Actual* Rs.million*
Interest rate risk	924	1,849	495	1,811	443	784	303	686

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

	2008 Rs.million	*2007 Rs.million*
Interest rate risk	149	79

Liquidity Risk

Liquid assets to total assets 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 is the total of Cash (less restricted balances), net interbank, Treasury bills and Debt securities less illiquid securities.

Advances to deposit ratio

This is defined as the ratio of loans and advances to customers relative to 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	*2007*
	US$million	*US$million*
Loans and advances to customer	178,512	156,982
Customer accounts	238,591	182,596
	%	%
Advances to deposits ratio	74.8	86.0

	2008	*2007*
	Rs.million	*Rs.million*
Loans and advances to customer	8,332,940	7,327,920
Customer accounts	11,137,428	8,523,581
	%	%
Advances to deposits ratio	74.8	86.0

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 management section on pages 59 to 61 of 2008 Annual Report.

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 of the Annual Report 2008 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, SGD450m 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% of Basel I capital requirements in 2008 reducing to 80% in 2009.

The GALCO targets Tier 1 and total capital ratios within a range of seven to nine per cent and 12 to 14% 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 of Annual Report 2008.
** Excess expected losses are shown gross. The tax benefit on excess expected losses is included in eligible reserves.

	Basel II		*Basel I*
	2008 *Rs million*	*2007** *Rs million*	*2007** *Rs million*
Tier 1 capital:			
Called-up ordinary share capital and preference shares	582,473	416,152	416,152
Eligible reserves**	522,396	536,913	531,312
Minority interests	10,643	12,650	12,650
Innovative Tier 1 securities	92,146	109,138	109,138
Less: restriction on Innovative Tier 1 securities	—	—	—
Less: excess expected losses**	(22,546)	(10,316)	—
Goodwill and other intangible assets	(296,931)	(297,538)	(297,538)
Unconsolidated associated companies	—	—	13,210
Other regulatory adjustments	233	(794)	(887)
Total Tier 1 capital	888,414	766,206	784,037
Tier 2 capital:			
Eligible revaluation reserves	4,995	43,272	43,272
Portfolio impairment provision	11,717	7,142	25,020
Less: excess expected losses**	(22,546)	(10,316)	—
Qualifying subordinated liabilities:			
Perpetual subordinated debt	85,098	158,432	158,432
Other eligible subordinated debt	491,074	409,104	409,104
Less: amortisation of qualifying subordinated liabilities	(52,562)	(48,407)	(48,407)
Total Tier 2 capital	517,775	559,226	587,421
Investments in other banks	(20,119)	(6,348)	(6,348)
Other deductions	(11,717)	(6,722)	(23,853)
Total deductions from Tier 1 and Tier 2 capital	(31,836)	(13,070)	(30,202)
Total capital base	1,374,353	1,312,362	1,341,256
Risk weighted assets#			
Credit risk	7,528,364	7,608,607	7,629,239
Operational risk	856,111	651,793	—
Market risk	429,689	391,925	391,925
Total risk weighted assets#	8,814,164	8,652,325	8,021,164
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	888,414	766,206	784,037
Less:			
Innovative Tier 1 securities	(92,146)	(109,138)	(109,138)
Preference shares	(124,356)	(86,218)	(86,218)
Other deductions	—	—	(13,164)
Total core Tier 1#	671,912	570,850	575,518

* Amounts have been restated as explained in note 53 on page 163 of Annual Report 2008.

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

Contingent liabilities and commitments

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

	31.12.09 US$million	*31.12.08 US$million*	*31.12.07 US$million*
Contingent liabilities[1]:			
Guarantees and irrevocable letters of credit	28,731	28,051	25,681
Other contingent liabilities	9,927	11,494	8,038
	38,658	39,545	33,719
Commitments[1]:			
Documentary credits and short term trade-related transactions	6,695	5,270	6,504
Forward asset purchases and forward deposits placed	874	40	64
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	20,616	14,450	13,888
Less than one year	20,729	14,903	18,260
Unconditionally cancellable	45,344	42,388	45,279
	94,258	77,051	83,995
Risk weighted amount:			
Contingent liabilities	13,422	12,827[2]	16,385[3]
Commitments	8,856	6,967[2]	7,194[3]

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

2 Amounts have been adjusted to present consistently with 2009 as a result of continuing refinement in Basel II. This has not had an impact on the Group's total risk weighted assets.

3 On a Basel I basis.

	31.12.09 Rs.million	31.12.08 Rs.million	31.12.07 Rs.million
Contingent liabilities[1]:			
Guarantees and irrevocable letters of credit	1,341,163	1,309,421	1,198,789
Other contingent liabilities	463,392	536,540	375,214
	1,804,555	1,845,961	1,574,003
Commitments[1]:			
Documentary credits and short term trade-related transactions	312,523	246,004	303,607
Forward asset purchases and forward deposits placed	40,798	1,867	2,988
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	962,355	674,526	648,292
Less than one year	967,630	695,672	852,377
Unconditionally cancellable	2,116,658	1,978,672	2,113,624
	4,399,963	3,596,741	3,920,887
Risk weighted amount:			
Contingent liabilities	626,539	5,987,737	764,852
Commitments	413,398	3,252,289	335,816

1 Includes amounts relating to the Group's share of its joint ventures.
2 Amounts have been adjusted to present consistently with 2009 as a result of continuing refinement in Basel II. This has not had an impact on the Group's total risk weighted assets.
3 On a Basel I basis.

Derivative financial instruments

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

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

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

The Group limits its exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. 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.

	2009			*2008*			*2007*		
Total derivatives	*Notional principal amounts US$m*	*Assets US$m*	*Liabilities US$m*	*Notional principal amounts US$m*	*Assets US$m*	*Liabilities US$m*	*Notional principal amounts US$m*	*Assets US$m*	*Liabilities US$m*
Foreign exchange derivative contracts:									
Forward foreign exchange contracts	701,502	9,052	7,920	832,915	23,096	21,017	775,663	7,376	7,852
Currency swaps and options	448,615	9,753	9,621	528,215	18,760	19,253	512,833	8,955	8,516
Exchange traded futures and options	774	—	—	742	—	—	—	—	—
	1,150,891	18,805	17,541	1,361,872	41,856	40,270	1,288,496	16,331	16,368
Interest rate derivative contracts:									
Swaps	1,210,432	14,230	13,946	1,089,407	21,992	21,451	979,727	8,473	8,365
Forward rate agreements and options	233,769	2,498	2,472	170,700	1,076	1,451	166,563	556	745
Exchange traded futures and options	252,625	83	84	242,694	557	429	322,520	336	282
	1,696,826	16,811	16,502	1,502,801	23,625	23,331	1,468,810	9,365	9,392
Credit derivative contracts	35,133	835	845	29,033	926	961	21,035	165	160
Equity and stock index options	3,208	470	613	1,075	219	233	1,057	58	106
Commodity derivative contracts	19,066	1,272	1,083	16,200	3,031	2,980	16,971	285	244
Total derivatives	2,905,124	38,193	36,584	2,910,981	69,657	67,775	2,796,369	26,204	26,270

	2009			*2008*			*2007*		
Total derivatives	*Notional principal amounts Rs.m*	*Assets Rs.m*	*Liabilities Rs.m*	*Notional principal amounts Rs.m*	*Assets Rs.m*	*Liabilities Rs.m*	*Notional principal amounts Rs.m*	*Assets Rs.m*	*Liabilities Rs.m*
Foreign exchange derivative contracts:									
Forward foreign exchange contracts	32,746,113	422,547	369,706	38,880,472	1,078,121	981,074	36,207,949	344,312	366,531
Currency swaps and options	20,941,348	455,270	449,108	24,657,076	875,717	898,730	23,939,044	418,019	397,527
Exchange traded futures and options	36,130	—	—	34,637	—	—	—	—	—
	53,723,592	877,817	818,814	63,572,185	1,953,838	1,879,804	60,146,993	762,331	764,058
Interest rate derivative contracts:									
Swaps	56,502,966	664,256	650,999	50,853,519	1,026,587	1,001,333	45,733,656	395,520	390,478
Forward rate agreements and options	10,912,337	116,607	115,393	7,968,276	50,228	67,733	7,775,161	25,954	34,777
Exchange traded futures and options	11,792,535	3,874	3,921	11,328,956	26,001	20,026	15,055,234	15,684	13,164
	79,207,838	784,737	770,313	70,150,751	1,102,815	1,089,091	68,564,051	437,158	438,419
Credit derivative contracts	1,640,008	38,978	39,445	1,355,260	43,226	44,859	981,914	7,702	7,469
Equity and stock index options	149,749	21,940	28,615	50,181	10,223	10,876	49,341	2,707	4,948
Commodity derivative contracts	890,001	59,377	50,554	756,216	141,487	139,106	792,206	13,304	11,390
Total derivatives	135,611,188	1,782,849	1,707,741	135,884,593	3,251,589	3,163,737	130,534,505	1,223,203	1,226,284

Key Accounting policies

Statement of compliance

The Group financial statements consolidate those of 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 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

New accounting standards adopted

On 1 January 2009 the Group and Company retrospectively adopted IAS 1 'Presentation of Financial Statements' (revised 2007). As a result, in the Group's financial statements certain terminology has changed and a statement of changes in equity has been included as a primary statement.

On 1 January 2009 the Group retrospectively adopted IFRS 8 'Operating Segments' which did not have a material impact on the Group's financial statements. The Group's reportable segments, as disclosed in note 2, continue to be Consumer Banking and Wholesale Banking. In addition, the Group continues to provide entity-wide geographic financial information.

On 1 January 2009 the Group and Company retrospectively adopted IFRIC 13 'Customer Loyalty Programmes', IFRIC 16 'Hedges of a Net Investment in a Foreign Operation', amendments to IFRS 2 'Share Based Payment: Vesting Conditions and Cancellations', IAS 23 (revised) 'Borrowing Costs' and an amendment to IAS 32 'Financial Instruments: Presentation', none of which had a material impact on the the financial statements.

On 1 January 2009 the Group and Company prospectively adopted an amendment to IAS 27 'Consolidated and Separate Financial Statements' in respect of cost of investment in a subsidiary, jointly controlled entity or associate, which did not have a material impact on the financial statements.

On 1 January 2009 the Group and Company prospectively adopted amendments to IFRS 7 'Financial Instruments: Disclosures', and the required disclosures are presented in note 14 to these financial statements. Where permitted, comparatives have not been provided.

On 1 January 2009, the Group and Company adopted Improvements to IFRSs (2008), a collection of amendments to a number of IFRSs. The amendments to IAS 19, IAS 20, IAS 28, IAS 31, IAS 32, and IAS 40 were applied on a prospective basis and the amendments to IAS 1, IAS 7, IAS 16, IAS 19, IAS 23, IAS 27, IAS 29, IAS 36, IAS 38 and IAS 39 were applied on a retrospective basis. None of these amendments has had a material impact on the Group's financial statements. However, the amendment to IAS 7 resulted in a reclassification in the cash flow statement of cash flows between investing and operating activities.

On 31 December 2009 the Company adopted, on a retrospective basis, the amendment to IAS 32 'Financial Instruments: Presentation' in advance of its effective date. This amendment permits a fixed rights issue denominated in a currency other than the Company's functional currency to be accounted for within equity rather than creating a derivative liability. The impact has been to reclassify the $233 million gain and associated tax of $66 million recognised in the income statement in respect of the rights issue option in the 2008 annual accounts into equity in these financial statements.

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 cash settled share based payments and 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 the 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. 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 and losses on transactions between Group companies are eliminated in the Group accounts.

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% and 50% 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 other comprehensive income 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 and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

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, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, 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 other comprehensive income. 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, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'. Goodwill included in intangible assets 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. Cash generating units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These are smaller than the Group's reportable segments (as set out in note 2) as the Group views its reportable segments on a global basis. Note 26 sets out the major cash-generating units to which goodwill has been allocated.

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.

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 cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months maturity from the date of acquisition, including: 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 funded 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. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation. 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 other comprehensive income 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 where applicable, 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. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation.

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. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to 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.

Borrowings held at amortised cost

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 an 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 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 into the following measurement categories: financial assets held at fair value through to 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.

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 and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration.

(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.

Reclassifications

Reclassifications of financial assets, other than as set out 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 at the date of reclassification 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 at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets must be 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 are reclassified 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 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.

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 held at fair value through profit or loss is recognised within net interest income.

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

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 counterparty is in default of principal or interest payments;
- a counterparty files for bankruptcy protection (or the local equivalent) where this would avoid or delay repayment of its obligation;

- the Group files to have the counterparty 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.

Assets carried at amortised cost

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 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, it is decided that there is no realistic probability of recovery 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 factors in assessing objective evidence of impairment for equity securities. Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised 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

Derivatives are categorised as trading unless they are designated as hedging instruments.

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); (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) hedges of the net investment of a foreign operation ('net investment hedges'). 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 hedging instruments 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 the income statement over the period to maturity or derecognition.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments 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.

(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 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, discounted at the instruments original effective interest rate. 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.

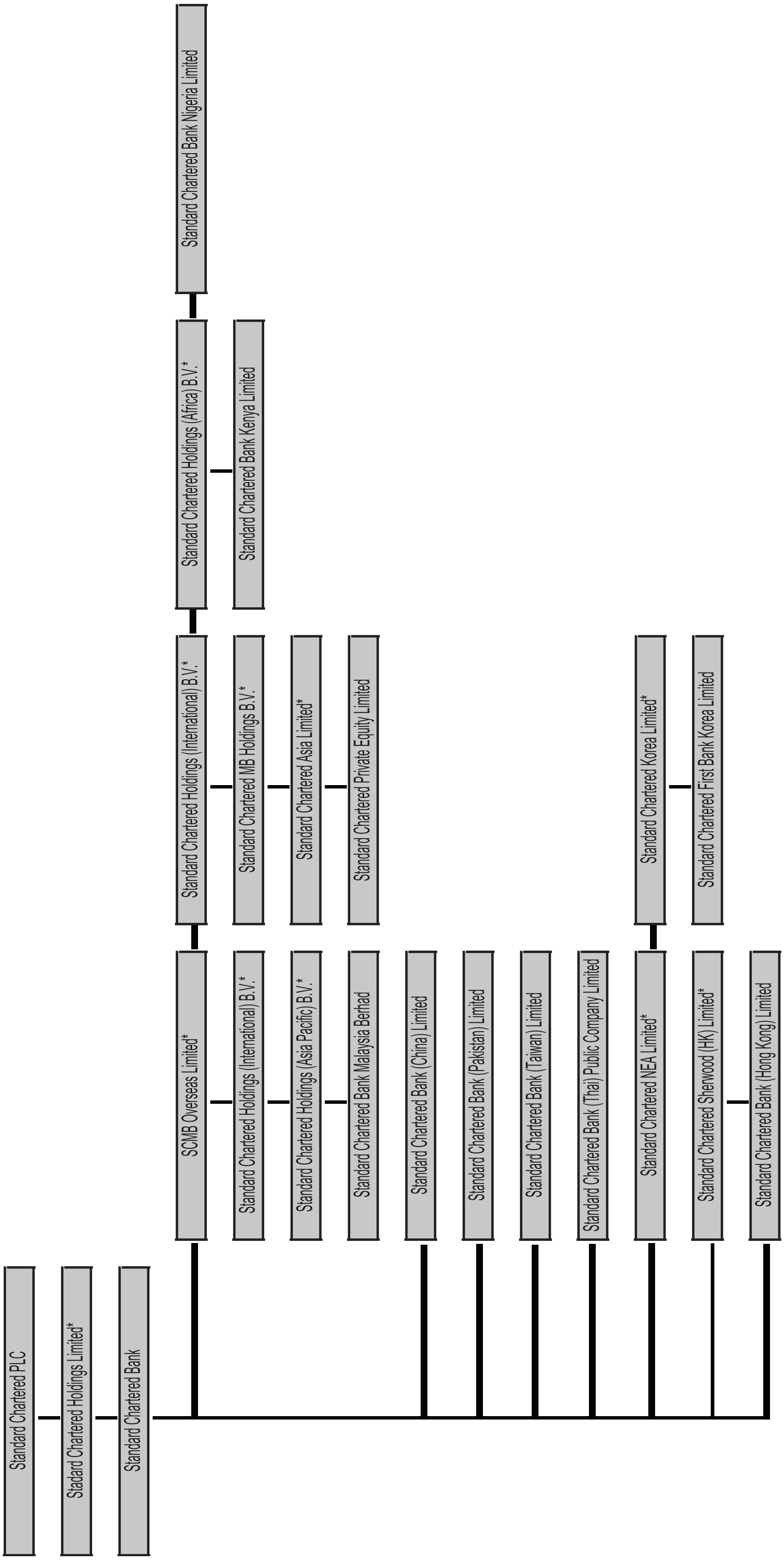
Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided or significant act performed. 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.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

The Company has over 300 direct and indirect subsidiaries, joint ventures and associates. The information in this section relates to the 11 principal subsidiaries of the Company as well as its principal associates and joint ventures. They contribute approximately 90% of the Group's business in terms of total operating income as at 31 December 2009.

Structure chart of principal subsidiaries



* Holding company of principal subsidiary rather than principal subsidiary. Their stand alone financials are not material to the Group so have not been disclosed in this Red Herring Prospectus.

Principal Subsidiaries

At 31 December 2009, the principal subsidiary undertakings, all indirectly held and principally engaged in the business of banking and provision of other financial services, were as follows:

Name and place of incorporation or registration	*Main areas of operation*	*Group's interest in ordinary share capital*
Standard Chartered Bank, England and Wales	UK, 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	99.99%
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100%
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.3%
Standard Chartered Private Equity Limited, Hong Kong	Hong Kong	100%

Joint Ventures

The Group has a 44.51% interest through a joint venture company which holds a majority investment in PT Bank Permata Tbk (Permata Bank), in Indonesia.

Information on Permata Bank is given on page 273 on this Red Herring Prospectus.

The Group has a 74.9% interest in SC Caps. SC Caps is an equity brokerage company and its main operations are in India. Although the Group's investment in SC Caps is greater than 50% of the share capital, the Group contractually shares control of the strategic financial and operating policies of SC Caps and accordingly it is accounted for as joint venture.

Principal Associates

As at 31 December 2009, the Group's principal associates are:

Associate	*Main areas of operation*	*Group interest in ordinary share capital*
China Bohai Bank Co. Ltd.	China	19.9%
Fleming Family & Partners Limited	Asia	20.0%
MCashback Limited	UK	30.0%
Merchant Solutions Pte Limited	Hong Kong	44.0%
Asia Commercial Bank	Vietnam	15.0%

The financial information for principal subsidiaries, joint ventures and principal associates set out below cannot necessarily be reconciled with the consolidated financial information of the Company given that the consolidated financial information has been prepared in accordance with IFRS and the financial information for principal subsidiaries, joint ventures and principal associates except Standard Chartered Bank set out below has been prepared in accordance with local GAAP. The financial information for principal subsidiaries has been extracted from the respective year's audited financial statements or as restated in the following year, where applicable.

Principal Subsidiaries

Certain of the following joint principal subsidiaries do not report their financial results in US Dollars. In these instances, the translation to US Dollars uses the following exchange rates depending on the year in which the financial results fall. The translation from US Dollars to Indian Rupees uses the convenience exchange rate set out in the section titled "*Exchange Rates*" on page 19 of this Red Herring Prospectus.

The period end rate (the "PE Rate") is used for balance sheet conversions and the Average Rate is used for profit and loss conversions.

		Year							
		2009		*2008*		*2007*		*2006*	
Principal Subsidiary	*Reporting Currency*	*PE Rate*	*Avg Rate*	*PE Rate*	*Avg Rate*	*PE Rate*	*Avg Rate*	*PE Rate*	*Avg Rate*
SCFB, Korea	KRW	1164.4714	1276.6163	1259.9072	1101.8152	936.3060	928.2449	929.8786	955.4360
Standard Chartered Bank Malaysia Berhad, Malaysia	MYR	3.4267	3.5225	3.4662	3.3321	3.3068	3.4321	3.5271	3.6705
Standard Chartered Bank (Pakistan) Limited, Pakistan	PKR	84.1059	81.6887	79.0556	70.6171	62.0000	60.7002	60.8855	60.2085
Standard Chartered Bank (Taiwan) Limited, Taiwan	TWD	32.1114	33.0437	32.8309	31.5300	32.4463	32.8634	32.6226	32.5271
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	HKD	7.7545	7.7518	7.7504	7.7873	7.8004	7.8021	7.7790	7.7683
Standard Chartered Bank (Thai) Public Company Limited, Thailand	THB	33.385	34.3265	35.0400	33.3539	33.7000	34.5514	36.1800	37.9205
Standard Chartered Private Equity Ltd, Hong Kong	HKD	7.7545	7.7518	7.7504	7.7873	7.8004	7.8021	7.7790	7.7683
Standard Chartered Bank Nigeria Limited, Nigeria	NGN	149.55	149.7904	139.49	118.5628	117.994	125.481	128.653	128.515
Standard Chartered Bank Kenya Limited, Kenya	KES	75.9	77.3137	78.2	69.6123	63.800	67.143	69.583	72.074

Process of conversion

1. The numbers provided by the principal subsidiaries were converted to US$ at the respective currency exchange rates given above.
2. The converted US$ numbers were then converted to INR (Indian Rupees) using 46.68 as the standard conversion rate.

Where the earnings per share was not published in the annual reports of respective companies, the same has been calculated by dividing profit after tax by number of shares outstanding at the end of the reporting period.

STANDARD CHARTERED BANK

Corporate Information

SCB, an indirect subsidiary of the Company, was incorporated in England and Wales with limited liability on 29 December 1853. Presently, its principal office is located at 1 Aldermanbury Square, London EC2V 7SB. It is engaged in the business of banking and financial services.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of shareholder*	*No. of equity shares/ preference shares*	*Percentage of voting*
1.	Standard Chartered Holdings Limited	11,245,529,642 Ordinary Shares of US$1.00	100
2.	Standard Chartered Capital Investments LLC	2,400,000 non-cumulative irredeemable preference shares of US$0.01	0
3.	Standard Chartered PLC	7,500 6.409% non-cumulative redeemable preference shares of US$5.00	0
4.	Standard Chartered PLC	7,500 7.014% non-cumulative redeemable preference shares of US$5.00	0
5.	Standard Chartered PLC	462,500 8.125% non-cumulative redeemable preference shares of US$5.00	0

Court of Directors (as of 5 May 2010)

The Court of directors of SCB consists of:

Name	*Position*
Bertamini, Stefano Paolo	Director
Bindra, Jaspal Singh	Director
Meddings, Richard Henry	Director
Miller, Timothy John	Director
Rees, Alun Michael Guest	Director
Sands, Peter Alexander	Director, Chairman
Shankar, V	Director

Financial Performance

The following consoldiated financial information is extracted from the audited financial statements of SCB Group, based on results reported under IFRS, for the financial years ended 31 December 2009, 2008 and 2007 are as follows. This does not constitute SCB Group's statutory accounts under the Companies Act 2006.

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In US$m except share data)		
Net Interest Income	7,671	7,465	6,295
Total Operating Income (including Net interest income)	15,214	13,670	11,174
Profit after tax	3,526	3,126	3,025
Equity Share Capital	11,246	8,746	8,746
Reserve and Surplus	13,659	10,291	13,186
Earning per share (of US$1 each)	0.28	0.33	0.33
Net Asset Value per share (of US$1 each)	2.21	2.18	2.51

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In Rs.m except share data)		
Net Interest Income	358,082	348,466	293,851
Total Operating Income (including Net interest income)	710,190	638,116	521,602
Profit after tax	164,594	145,922	141,207
Equity Share Capital	524,963	408,263	408,263
Reserve and Surplus	637,602	480,384	615,522
Earning per share (of US$1 each)	13.27	15.40	15.36
Net Asset Value per share (of US$1 each)	103.00	102.00	117.00

STANDARD CHARTERED FIRST BANK KOREA LIMITED

Corporate Information

SCFB, an indirect subsidiary of the Company, was incorporated on 1 July 1929. Presently, its registered office is located at 100 Gongpyung-dong, Jongno-gu, Seoul, 110-702, Republic of Korea. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage of voting*
1.	Standard Chartered Korea Limited	262,608,618 Ordinary shares of KRW 5,000.00	100

Board of Directors (as of 5 May 2010)

The board of directors of SCFB consists of:

Name	*Position*
Kim, Gyu Bok	Director
Kim, Sung Jin	Director
Edwards, David	Director
Harris, Thomas	Director
Hill, Richard Charles	Representative Director and Chief Executive Officer
Ko, Young Joon	Director
Kwak, Su Keun	Director
Miller, Timothy John	Director, Chairman
Park, Nei Hei	Director

Financial Performance

The audited financial results for SCFB, based on results reported under local GAAP, for the financial years ended 31 December 2009, 2008 and 2007 are as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In US$m except share data)		
Net Interest Income	1,032	1,291	1,305
Total Operating Income (including Net interest income)	1,446	1,771	1,419
Profit after tax	339	369	302
Equity Share Capital	1,128	1,042	1,321
Reserve and Surplus	2,318	1,882	1,781
Earning per share (of KRW5,000 each)	1.29	1.43	1.22
Net Asset Value per share (of KRW5,000 each)	13.12	11.29	12.54

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In Rs.m except share data)		
Net Interest Income	48,174	60,264	60,917
Total Operating Income (including Net interest income)	67,499	82,670	66,239
Profit after tax	15,825	17,225	14,097
Equity Share Capital	52,655	48,641	61,664
Reserve and Surplus	108,204	87,852	83,137
Earning per share (of KRW5,000 each)	60.22	66.56	56.93
Net Asset Value per share (of KRW5,000 each)	612.00	526.98	585.43

STANDARD CHARTERED BANK MALAYSIA BERHAD

Corporate Information

Standard Chartered Bank Malaysia Berhad, an indirect subsidiary of the Company, was incorporated on 29 February 1984. Presently, its registered office is located at Level 16, Menara Standard Chartered, 30, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage of voting*
1.	Standard Chartered Holdings (Asia Pacific) B.V.	125,000,000 Ordinary shares of RM1.00	100

Board of Directors (as of 5 May 2010)

The board of directors of Standard Chartered Bank Malaysia Berhad consists of:

Name	*Position*
Abas, Datuk Ishak bin Imam	Director
Choy, Dato' Yam Kong	Director
Fawcett, Karen	Director
Ferguson, Raymond John	Director, Deputy Chairman
Foo, Mee Har	Director
Kassim, Tan Sri Dato' Mohd. Sheriff Bin Mohd	Director, Chairman
Kendut, Datuk Abu Hassan	Director
Morad, Osman Tarique	Managing Director and Chief Executive Officer
Williams, Edward Martin	Director

Financial Performance

The audited financial results for Standard Chartered Bank Malaysia Berhad and its subsidiaries, based on results reported under local GAAP, for the financial years ended 31 December 2009, 2008 and 2007 are as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In US$m except share data)		
Net Interest Income	193	250	271
Total Operating Income (including Net interest income)	390	544	438
Profit after tax	84	216	155
Equity Share Capital	36	36	38
Reserve and Surplus	636	567	492
Earning per share (of RM 1 each)	0.67	1.72	1.24
Net Asset Value per share (of RM 1 each)	5.38	4.82	4.24

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In Rs.m except share data)		
Net Interest Income	9,009	11,670	12,650
Total Operating Income (including Net interest income)	18,205	25,394	20,446
Profit after tax	3,921	10,083	7,235
Equity Share Capital	1,680	1,680	1,774
Reserve and Surplus	29,688	26,468	22,967
Earning per share (of RM 1 each)	31.18	80.51	58.01
Net Asset Value per share (of RM 1 each)	251.15	225.20	197.89

STANDARD CHARTERED BANK (PAKISTAN) LIMITED

Corporate Information

Standard Chartered Bank (Pakistan) Limited, an indirect subsidiary of the Company, was incorporated on 19 July 2006. Presently, its registered office is located at P.O. Box No. 5556, I.I. Chundrigar Road, Karachi, 74000, Pakistan. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*No. of equity shares (all Ordinary shares of PKR10.00)*	*Percentage of voting*
1	Ghias, Sultan Mohammad Parvez	1	0
2	Hardacre, Andrew	1	0
3	Kazmi, Badar	1	0
4	Nelson, Shayne Keith	1	0
5	Chaudhri, Najmul Islam	1	0
6	Small, John Brian	1	0
7	Standard Chartered Bank	3,832,339,162	98.986
8	Zaki, Shahid	1	0
9	Third Party/ies	39,245,852	1.014

Board of Directors (as of 5 May 2010)

The board of directors of Standard Chartered Bank (Pakistan) Limited consists of:

Name	*Position*
Chaudhri, Najmul Islam	Non Executive Director
Ghias, Sultan Mohammad Parvez	Director
Gursahani, Mahendra	Director
Hardacre, Andrew	Director
Kazmi, Badar	Director
Nelson, Shayne Keith	Director/Chairman
Zaki, Shahid	Non Executive Director

Financial Performance

The audited financial results for Standard Chartered Bank (Pakistan) Limited, based on results reported under local GAAP, for the financial years ended 31 December 2009, 2008 and 2007 are as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In US$m except share data)		
Net Interest Income	199	233	267
Total Operating Income (including Net interest income)	168	194	268
Profit after tax	8	9	46
Equity Share Capital	460	490	624
Reserve and Surplus	107	51	70
Earning per share (of PKR10 each)	0.002	0.002	0.012
Net Asset Value per share (of PKR10 each)	0.15	0.14	0.18

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In Rs.m except share data)		
Net Interest Income	9,289	10,876	12,464
Total Operating Income (including Net interest income)	7,842	9,056	12,510
Profit after tax	373	420	2,147
Equity Share Capital	21,473	22,873	29,128
Reserve and Surplus	4,995	2,381	3,268
Earning per share (of PKR10 each)	0.10	0.11	0.55
Net Asset Value per share (of PKR10 each)	6.84	6.52	8.38

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Corporate Information

Standard Chartered Bank (Taiwan) Limited, an indirect subsidiary of the Company, was incorporated on 15 September 1948. Presently, its registered office is located at No. 106 Chungyang Road, Hsinchu, Taiwan, Province of China. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage of voting*
1.	SCB	2,910,571,976 Ordinary shares of TWD10.00	100

Board of Directors (as of 5 May 2010)

The board of directors of Standard Chartered Bank (Taiwan) Limited consists of:

Name	*Position*
Bindra, Jaspal Singh	Director
Fou-Tsong, Ling	Director
Hu, Kuei-Ling	Director
Kaushal, Sunil	Director
Pratt, Michael	Director
Tsang, Katherine King Suen	Chairman
Wang, Titan	Director
Yin, Norman	Director
Zoutendijk, Olga Louise	Director

Financial Performance

The audited financial results for Standard Chartered Bank (Taiwan) Limited and its subsidiaries, based on results reported under local GAAP, and the years ended 31 December 2009, 2008 and 2007 are as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In US$m except share data)		
Net Interest Income	258	327	276
Total Operating Income (including Net interest income)	529	586	522
Profit after tax	(141)	1	(15)
Equity Share Capital	906	757	665
Reserve and Surplus	184	205	70
Earning per share (of TWD 10 each)	(0.06)	0.00	(0.01)
Net Asset Value per share (of TWD 10 each)	0.43	0.54	0.38

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In Rs.m except share data)		
Net Interest Income	12,043	15,264	12,884
Total Operating Income (including Net interest income)	24,694	27,354	24,367
Profit after tax	(6,582)	47	(700)
Equity Share Capital	42,292	35,337	31,042
Reserve and Surplus	8,589	9,569	3,268
Earning per share (of TWD 10 each)	(2.63)	0.01	(0.37)
Net Asset Value per share (of TWD 10 each)	20.30	25.08	17.89

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Corporate Information

Standard Chartered Bank (Hong Kong) Limited, an indirect subsidiary of the Company, was incorporated on 12 December 2003. Presently, its registered office is located at 32nd Floor, 4-4A Des Voeux Road, Central, Hong Kong. It is engaged in the business of banking and the provision of other financial services.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage of voting*
1.	SCB	705,823,543 Ordinary A of HKD0.05	38.780
2.	Standard Chartered Sherwood (HK) Limited	1,231,315,097 Ordinary B of HKD0.05	61.220

Board of Directors (as of 5 May 2010)

The board of directors of Standard Chartered Bank (Hong Kong) Limited consists of:

Name	*Position*
Bindra, Jaspal Singh	Director
Chan, Wing Kin	Director
Chow, Chung Kong	Director, Chairman
Fong, Julian Loong Choon	Director
Hung, Pi Cheng Benjamin	Director
Kwok, Raymond Ping Luen	Director
Lyle, Norman	Director
Ma, Xuezheng	Director
Pratt, Michael	Director
Tan, Siew Boi	Director
Tsang, Katherine King Suen	Non Executive Director
Zoutendijk, Olga Louise	Director

Financial Performance

The audited financial results for Standard Chartered Bank (Hong Kong) Limited and its subsidiaries, based on results reported under local GAAP, for the financial years ended 31 December 2009, 2008 and 2007 are as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In US$m except share data)		
Net Interest Income	1,252	1,288	1,295
Total Operating Income (including Net interest income)	2,108	2,031	2,070
Profit after tax	631	737	944
Paid in Capital	13	13	12
Reserve and Surplus	4,981	4,320	3,837
Earning per share (of HKD0.05 each)	0.326	0.381	0.488
Net Asset Value per share (of HKD0.05 each)	2.58	2.24	1.99

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In Rs.m except share data)		
Net Interest Income	58,443	60,124	60,451
Total Operating Income (including Net interest income)	98,401	94,807	96,628
Profit after tax	29,455	34,403	44,066
Paid in Capital	607	607	560
Reserve and Surplus	232,513	201,658	179,111
Earning per share (of HKD0.05 each)	15.20	17.77	22.76
Net Asset Value per share (of HKD0.05 each)	120.34	104.41	92.76

STANDARD CHARTERED BANK (CHINA) LIMITED

Corporate Information

Standard Chartered Bank (China) Limited, an indirect subsidiary of the Company, was incorporated on 29 March 2007. Presently, its registered office is located at Standard Chartered Tower, 201 Centry Avenue, Pudong, Shanghai, 200120, China. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled ''*Business*'' on page 98 of this Red Herring Prospectus.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*Registered Capital (RMB)**	*Percentage of voting*
1.	SCB	8,727,000,000 RMB	100

* The registered capital of Standard Chartered Bank (China) Limited is RMB 8,727,000,000 or equivalent in freely convertible currencies.

Board of Directors (as of 5 May 2010)

The board of directors of Standard Chartered Bank (China) Limited consists of:

Name	*Position*
Bester, Andrew John Milton	Director
Bindra, Jaspal Singh	Non Executive Director
Browne, Lance	Vice Chairman
Fong, Julian Loong Choon	Director
Lim, Cheng Teck	Vice Chairman
Ma, Zhong Zhi	Non Executive Director
Niu, Jack	Director
Tsang, Katherine King Suen	Non Executive Chairman
Verplancke, Jan Paul	Director
Williams, Edward Martin	Director
Xie, Qi Hua	Director
Zoutendijk, Olga Louise	Non Executive Director

Financial Performance

The audited financial results for Standard Chartered Bank (China) Limited, based on results reported under local GAAP, for the years ended 31 December 2008 and the nine month period ended 31 December 2007 are as follows:

	Year ended 31 December 2008	*Nine month period ended 31 December 2007*
	(In US$m except share data)	
Net Interest Income	383	209
Total Operating Income (including Net interest income)	607	344
Profit after tax	92	94
Paid in Capital	772	772
Reserve and Surplus	444	315
Earning per share	N/A*	N/A*
Net Asset Value per share	N/A*	N/A*

	Year ended 31 December 2008	*Nine month period ended 31 December 2007*
	(In Rs.m except share data)	
Net Interest Income	17,878	9,756
Total Operating Income (including Net interest income)	28,335	16,058
Profit after tax	4,295	4,388
Paid in Capital	36,037	36,037
Reserve and Surplus	20,726	14,704
Earning per share	N/A*	N/A*
Net Asset Value per share	N/A*	N/A*

*EPS and NAV is not available as there are no equity shares issued.

STANDARD CHARTERED BANK (THAI) PUBLIC COMPANY LIMITED

Corporate Information

Standard Chartered Bank (Thai) Public Company Limited, a subsidiary of the Company, was incorporated on 15 June 1993. At present, its registered office is located at 90 North Sathorn Road, Silom, Bangrak, Bangkok, Thailand 10500. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled "*Business*" on page 96 of this Red Herring Prospectus.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*No. of equity shares (all Ordinary shares of THB10.00)*	*Percentage of voting*
1.	SCB	1,481,795,116	99.871
2.	Registered Provident Fund of Standard Chartered Bank's Employees	1,750,753	0.118
3.	Third Party/ies	158,679	0.011

Board of Directors (as of 5 May 2010)

The board of directors of Standard Chartered Bank (Thai) Public Company Limited consists of:

Name	*Position*
Ayudhya, Pakorn Malakul Na	Deputy Chairman
Devadason, Mark Phillip	Director
Ferguson, Raymond John	Chairman
Fuangaromya, Chalaw	Director
Gertphol, Thippaporn	Director
Knott, Peter Richard Andrew	Director
Papadopoulos, Christos Andreou	Director
Richupan, Somchai	Director
Svasti-Xuto, Pratamaporn	Director

Financial Performance

The audited financial results for Standard Chartered Bank (Thai) Public Company Limited and its subsidiary, based on results reported under local GAAP, for the financial years ended 31 December 2009, 2008 and 2007 are as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In US$m except share data)		
Net Interest Income	204	215	263
Total Operating Income (including Net interest income)	339	384	388
Profit after tax	51	61	51
Equity Share Capital	444	325	338
Reserve and Surplus	521	344	286
Earning per share (of 10 THB each)	0.038	0.054	0.044
Net Asset Value per share (of 10 THB each)	650.94	587.51	547.73

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In Rs.m except share data)		
Net Interest Income	9,523	10,036	12,277
Total Operating Income (including Net interest income)	15,825	17,925	18,112
Profit after tax	2,381	2,847	2,381
Equity Share Capital	20,726	15,171	15,778
Reserve and Surplus	24,320	16,058	13,350
Earning per share (of 10 THB each)	1.75	2.52	2.07
Net Asset Value per share (of 10 THB each)	30,386	27,425	25,568

STANDARD CHARTERED BANK NIGERIA LIMITED

Corporate Information

Standard Chartered Bank Nigeria Limited, an indirect subsidiary of the Company, was incorporated on 6 May 1999. At present, its registered office is located at 142, Ahmadu Bello Way, Victoria Island, Lagos, Nigeria. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage of voting*
1.	Standard Chartered Holdings (Africa) B.V.	2,500,000,000 Ordinary shares of NGN1.00	100
2.	Standard Chartered Holdings (Africa) B.V.	510,000,000 Irredeemable Non Cumulative Preference shares of NGN1.00	0

Board of Directors (as of 5 May 2010)

The board of directors of Standard Chartered Bank Nigeria Limited consists of:

Name	*Position*
Ajayi, Olusegun Bamidele	Director
Dua, Anil	Non Executive Director
Hart, Michael Charles	Director
Knight, Christopher	Managing Director
Malami, Alhaji Shehu	Director
Omotoso, Oluremi Festus	Director
Owolabi, Yemi	Director
Sanusi, Joseph Oladele	Director, Chairman
Sriram, Padmanabhan	Non Executive Director

Financial Performance

The audited financial results for Standard Chartered Bank Nigeria Limited, based on results reported under local GAAP, for the financial years ended 31 December 2008, 2007 and 2006 are as follows:

	Year ended 31 December 2008	*Year ended 31 December 2007*	*Year ended 31 December 2006*
	(In US$m except share data)		
Net Interest Income	104	75	60
Total Operating Income (including Net interest income)	165	118	93
Profit after tax	68	55	45
Equity Share Capital	18	21	19
Reserve and Surplus	232	256	228
Earning per share (of NGN1 each)	0.027	0.022	0.018
Net Asset Value per share (of NGN1 each)	0.10	0.11	0.10

	Year ended 31 December 2008	*Year ended 31 December 2007*	*Year ended 31 December 2006*
	(In Rs.m except share data)		
Net Interest Income	4,855	3,501	2,801
Total Operating Income (including Net interest income)	7,702	5,508	4,341
Profit after tax	3,174	2,567	2,101
Equity Share Capital	840	980	887
Reserve and Surplus	10,830	11,950	10,643
Earning per share (of NGN1 each)	1.26	1.02	0.83
Net Asset Value per share (of NGN1 each)	4.66	5.18	4.62

STANDARD CHARTERED BANK KENYA LIMITED

Corporate Information

Standard Chartered Bank Kenya Limited, an indirect subsidiary of the Company, was incorporated on 2 September 1963. Presently, its registered office is located at Stanbank House, Moi Avenue, PO Box 30003, Nairobi, Kenya. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*No. of equity shares/ preference shares*	*Percentage of voting*
1.	Standard Chartered Africa Holdings Limited – Dissolved 20/3/2001	1,306,800 Ordinary shares of KES 5.00	0.480
2.	Standard Chartered Holdings (Africa) B.V.	200,751,336 Ordinary shares of KES 5.00	73.814
3.	Standard Chartered Nominees Limited	13,200 Ordinary shares of KES 5.00	0.005
4.	Third Party/ies	69,896,474 Ordinary shares of KES 5.00	25.700
5.	Standard Chartered Holdings (Africa) B.V.	56,000,000 Preference shares of KES 5.00	0

Board of Directors (as of 5 May 2010)

The board of directors of Standard Chartered Bank Kenya Limited consists of:

Name	*Position*
Etemesi, Richard	Managing Director
Hart, Michael Charles	Director
Kiboro, Wilfred	Director
Mule, Harris	Director
Murgor, Chemutai	Director
Mutahi, Anne	Director
Ngari, Kariuki	Director
Odusanya, Segun	Director
Shah, Kaushik	Director

Financial Performance

The audited financial results for Standard Chartered Bank Kenya Limited and its subsidiaries, based on results reported under local GAAP, for the financial years ended 31 December 2008, 2007 and 2006 are as follows:

	Year ended 31 December 2008	*Year ended 31 December 2007*	*Year ended 31 December 2006*
	(In US$m except share data)		
Net Interest Income	84	81	69
Total Operating Income (including Net interest income)	145	142	110
Profit after tax	47	52	37
Equity Share Capital	17	21	20
Reserve and Surplus	126	145	122
Earning per share (of KES 5 each)	0.16	0.18	0.13
Net Asset Value per share (of KES 5 each)	0.53	0.61	0.52

	Year ended 31 December 2008	*Year ended 31 December 2007*	*Year ended 31 December 2006*
	(In Rs.m except share data)		
Net Interest Income	3,921	3,781	3,221
Total Operating Income (including Net interest income)	6,769	6,629	5,135
Profit after tax	2,194	2,427	1,727
Equity Share Capital	794	980	934
Reserve and Surplus	5,882	6,769	5,695
Earning per share (of KES 5 each)	7.60	8.44	5.87
Net Asset Value per share (of KES 5 each)	24.62	28.61	24.30

STANDARD CHARTERED PRIVATE EQUITY LIMITED

Corporate Information

Standard Chartered Private Equity Limited, an indirect subsidiary of the Company, was incorporated on 26 April 1988. Presently, its registered office is located at 12/F, Henley Building, 5 Queens Road Central, Hong Kong. It is engaged in the business of direct investment and trading of securities. For more details see the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Shareholding Pattern (as of 5 May 2010)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage of voting*
1.	Standard Chartered Asia Limited	999,999 Ordinary shares of HKD1.00	100
2.	Fong, Julian Loong Choon	1 Ordinary shares of HKD1.00	0

Board of Directors (as of 5 May 2010)

The board of directors of Standard Chartered Private Equity Limited consists of:

Name	*Position*
Dawson, Andrew William	Director
Razvi, Saleem	Director
Kwan, Yik Fong	Director

Financial Performance

The audited financial results for Standard Chartered Private Equity Limited, based on results reported under local GAAP, for the financial years ended 31 December 2008, 2007 and 2006 are as follows:

	Year ended 31 December 2008	*Year ended 31 December 2007*	*Year ended 31 December 2006*
	(In US$m except share data)		
Turnover	11	5	6
Profit from operations	175	260	84
Profit after tax	152	210	69
Equity Share Capital	N/A	N/A	N/A
Reserve and Surplus	457	561	307
Earning per share (of HKD1 each)	152.44	210.42	69.39
Net Asset Value per share (of HKD1 each)	457.35	561.32	307.25

	Year ended 31 December 2008	*Year ended 31 December 2007*	*Year ended 31 December 2006*
	(In Rs.m except share data)		
Turnover	513	233	280
Profit from operations	8,169	12,137	3,921
Profit after tax	7,095	9,803	3,221
Equity Share Capital	N/A	N/A	N/A
Reserve and Surplus	21,333	26,187	14,331
Earning per share (of HKD1 each)	7,116	9,823	3,239
Net Asset Value per share (of HKD1 each)	21,349	26,202	14,342

JOINT VENTURES AND ASSOCIATES

Certain of the following joint ventures and associates do not report their financial results in US Dollars. In these instances, the translation to US Dollars uses the following exchange rates depending on the year in which the financial results fall. The translation from US Dollars to Indian Rupees uses the convenience exchange rate set out in the section titled "*Exchange Rates*" on page 19 of this Red Herring Prospectus.

The PE Rate is used for balance sheet conversions and the Average Rate is used for profit and loss conversions.

		Year							
		2009		2008		2007		2006	
S No. Joint Venture/ Associate Name	Reporting Currency	PE Rate	Avg Rate	PE Rate	Avg Rate	PE Rate	Avg Rate	PE Rate	Avg Rate
1 Permata Bank	IDR	9,433.5484	10,393.8081	11,170.9677	9,683.6196	9,410.0000	9,144.1086	9,014.0323	9,167.8544
2 Fleming Family & Partners Limited	GBP	0.6195	0.6405	0.6900	0.5442	0.5031	0.4987	0.5107	0.5426
3 Asia Commercial Bank	VND	18,474.0000	17,812.3601	17,483.0000	16,424.6097	16,010.0000	16,074.8732	16,052.2067	15,990.5077
4 MCashBack Limited	GBP	0.6195	0.6405	0.6900	0.5442	0.5031	0.4987	0.5107	0.5426
5 Merchant Pte Solutions Ltd	USD	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
6 China Bohai Bank Co., Ltd	RMB	6.8257	6.831	6.8091	6.9487	7.3074	7.5958	7.8120	7.9756

Process of conversion

1. The numbers provided by the associates/joint venture was converted to US$ at the respective currency exchange rates given above.
2. The converted US$ numbers were then converted to INR (Indian Rupees) using INRex as the standard conversion rate.

PT BANK PERMATA TBK

The information relating to Permata Bank has been extracted, as far as available and unless otherwise specified, from an international report dated 28 April 2010 containing information from local corporate registries and other publicly available information filed by that company in accordance with Indonesian law. The Company's share of Permata Bank is included in the consolidated financial accounts of the Company.

Corporate Information

Permata Bank, a joint venture of the Company, was incorporated on 17 December 1954. Presently, its registered office is located at Tower 1, Jalan Jend. Sudirman Kav. 27, Jakarta 12920, Indonesia. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Authorised share capital – Rp.2,600,000,000,000
Issued share capital – Rp.1,300,534,000,000

Shareholding Pattern (as of 9 March 2010)

S. No.	*Name of the shareholder*	*Percentage*
1.	PT Astra International Tbk	44.505
2.	SCB	44.505
3.	Public	10.990
Total		**100.00**

Board of Directors

The board of directors of Permata Bank consists of:

Name	*Position*
Mr David Martin Fletcher	President Director
Mr Herwidayatmo	Vice President Director
Mr Sunil Mehta	Director
Mr Giridhar S. Varadachari	Director
Mr Guy Roland Isherwood	Director
Mr Honggo Widjojo Kangmasto	Director
Mrs Lauren Sulistiawati	Director
Mrs Indri Koesindrijastueti H	Director
Mr Timothty Utama	Director
Ms Chisca Mirawati	Compliance Director

(*Source: PT Bank Permata TBK's website as at 28 April 2010*)

Financial Performance

The audited financial results for Permata Bank, based on results reported under local GAAP, for the financial years ended 31 December 2009, 2008 and 2007 are as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In US$m except share data)		
Net Interest Income	276	259	251
Total Operating Income (including Net interest income)	352	320	364
Profit after tax	47	48	55
Equity Share Capital	638	638	757
Revenue and Surplus	(243)	(254)	(343)

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In Rs.m except share data)		
Net Interest Income	12,884	12,090	11,717
Total Operating Income (including Net interest income)	16,431	14,938	16,992
Profit after tax	2,194	2,241	2,567
Equity Share Capital	29,782	29,782	35,337
Revenue and Surplus	(11,343)	(11,857)	(16,011)

STANDARD CHARTERED – STCI CAPITAL MARKETS LIMITED

The information relating to SC Caps has been extracted, as far as available and unless otherwise specified from an international report dated 29 April 2010 containing information from local corporate registries and other publicly available information filed by that company in accordance with Indian law (and certain other publicly available information). The Company's share of SC Caps is included in the consolidated financial accounts of the Company.

Corporate Information

SC Caps, a joint venture of the Company, was incorporated on 28 June 1994. Presently its registered office is located at 1st Flr, HDIL Towers, Station Road, Anant Kanekar Marg Bandra (E), Mumbai – 400 051, Maharashtra, India. It is engaged in the business of stock broking, investment banking and distribution of financial products. It is also registered as a depositary participant with CDSL and NSDL. The Group acquired a 49% stake in UTI Securities Limited in India and subsequently renamed as Standard Chartered – STCI Capital Markets Limited. The Group acquired an additional 25.9% stake in December 2008. Following the acquisition of the further stake by the Group, SC Caps remains a joint venture company on the basis of the control exercisable over it by the joint venture parties.

Shareholding Pattern (as at 9 March 2010)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage of holding*
1	Standard Chartered Bank (Mauritius) Limited and its nominees	24,048,254	74.9
2	Securities Trading Corporation of India Limited	8,060,312	25.1
	Total	**32,108,566**	**100.00**

S. No.	*Name of the shareholder*	*No. of Preference shares*	*Percentage of holding*
	Standard Chartered Investment & Loans (India) Limited	2,500,000	100.0
	Total	**2,500,000**	**100.0**

(*Source: SC Caps*)

Board of Directors (as at 30 April 2010)

Name	*Position*
Somasundaram Palamadai Ramaswamy	Managing Director
Neeraj Swaroop	Chairman & Director
Adil Kaikhusru Kotwal	Independent Director
Pradeep Madhav	Addititional Director
Pundarik Sanyal	Director
Sushen Chander Jhingan	Director
Shyam Tirunelvelu Srinivasan	Director
Peter Warbanoff	Director

(*Source: SC Caps website*)

Financial Performance

The audited financial results for SC Caps, based on results reported under local GAAP, for the financial years ended 31 March 2009, 2008 and 2007 are as follows:

	Year ended 31 March 2009	*Year ended 31 March 2008*	*Year ended 31 March 2007*
	(In US$m except share data)		
Total Operating Income (including Net interest income)	5	11	13
Profit after tax	(4)	(1)	2
Equity Share Capital	7	6	7
Reserve and Surplus	4	4	6

	Year ended 31 March 2009	*Year ended 31 March 2008*	*Year ended 31 March 2007*
	(In Rs.m except share data)		
Total Operating Income (including Net interest income)	233	513	609
Profit after tax	(187)	(47)	93
Equity Share Capital	327	280	327
Reserve and Surplus	187	187	280

Note: The Rs. numbers for UTI are extracted from local audited statements and not translated at convenience rates.

PRINCIPAL ASSOCIATES

CHINA BOHAI BANK CO., LTD

The information relating to China Bohai Bank Co., Ltd has been extracted, as far as available, from the summary of the annual report for the year 2009 available on the China Bohai Bank Co., Ltd's website. As at 28 April 2010, the summary was only available in Chinese. The Company's share of China Bohai Bank Co., Ltd is included in the consolidated financial accounts of the Company.

Corporate Information

China Bohai Bank Co., Ltd, an associate of the Company, was incorporated on 30 December 2005. Presently, its registered office is located at No. 201-205 Machang Road, Hexi District, Tianjin City 300204, People's Republic of China. It is engaged in the business of banking and the provision of other financial services. For more details see the section titled "*Business*" on page 98 of this Red Herring Prospectus.

Shareholding Pattern (as of 31 December 2009)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage*
1.	TEDA Investment Holding Co., Ltd	1,250,000,000	25.00
2.	Standard Chartered Bank (Hong Kong) Limited	999,500,000	19.99
3.	China Ocean Shipping (Group) Company	683,500,000	13.67
4.	State Development and Investment Corporation	583,500,000	11.67
5.	Baosteel Group Corporation	583,500,000	11.67
6.	Tianjin Trust and Investment Co., Ltd.	500,000,000	10.00
7.	Shanghai Shanghui Investment (Holdings) Co., Ltd	400,000,000	8.00
Total		**5,000,000,000**	**100.00**

Board of Directors (as of 31 December 2009)

The board of directors of China Bohai Bank Co., Ltd consists of:

Name	*Position*
Mr Yang Zilin	Chairman of the Board of Directors
Ms Elizabeth Leung Ching Ching	Vice Chairman of the Board of Directors
Mr Liu Huiwen	Director
Ms Zhang Yulan	Director
Mr Zhang Fusheng	Director
Mr Lv Yimin	Director
Mr Yu Yeming	Director
Mr Yan Xijun	Director
Mr Ma Teng	Director and Chief Executive Officer
Mr Lian Voon Fui	Director
Mr Phang Yew Kiat	Director and Deputy Chief Executive Officer
Ms Guo Rongli	Director and Chief Financial Officer
Mr Liu Zhaofu	Independent Director
Mr Ong Ka Thai	Independent Director
Mr Tian Ruizhang	Independent Director
Mr Cao Yuan Zheng	Independent Director
Mr Sun Liguo	Secretary of the Board of Directors
Liu Bao Fang	Director
Hung, Benjamin Pi Cheng	Director
Zhang Fu Sheng	Director
Wang Cheng Ran	Director
Zhang Yunji	Director
Zhao Shigang	Director
Zhang Shi Ming	Director
Xu Feng	Independent Director
Zhu Yuan Liang	Independent Director

Financial Performance

The audited financial results for China Bohai Bank Co., Ltd, based on results as reported under local GAAP, for the financial years ended 31 December 2009, 2008 and 2007 are as follows:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
		(In US$m)	
Net Interest Income	260	143	68
Total Operating Income (including Net interest income)	318	185	80
Profit after tax	37	18	6
Equity Share Capital	770	734	684
Reserve and Surplus	4	4	3

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
		(In Rs.m)	
Net Interest Income	12,137	6,675	3,174
Total Operating Income (including Net interest income)	14,844	8,636	3,734
Profit after tax	1,727	840	280
Equity Share Capital	35,944	34,263	31,929
Reserve and Surplus	187	187	140

FLEMING FAMILY & PARTNERS LIMITED

The information relating to Fleming Family & Partners Limited has been extracted, as far as available, from the annual return made up to 2 June 2009 (with the list of shareholders given as at 2 June 2009) and the annual accounts for the years ended 31 March 2009, 2008 and 2007 filed by that company in accordance with UK law. The Company's share of Fleming Family & Partners Limited is included in the consolidated financial accounts of the Company.

Corporate Information

Fleming Family & Partners Limited, an associate of the Company, was incorporated on 2 June 2000. Presently, its registered office is located at 15 Suffolk Street, London SW1Y 4HG. It is engaged in the business of banking and the provision of other financial services.

Shareholding Pattern (as of 2 June 2009)

S. No.	Name of the shareholder	No. of equity shares	Percentage
1.	Badgery United SA	6,875,454	1.53
2.	BBHISL Nominees Limited A/C 126472	164,530,340	36.67
3.	Brendale Investment Holdings Limited	21,124,254	4.71
4.	Davies, Mark	3,239,314	0.72
5.	Dawnay, Edward	3,124,098	0.70
6.	Fitzalan Howard, Richard	1,613,636	0.36
7.	Fleming, Philip	14,894,658	3.32
8.	Fleming Family & Partners (Liechtenstein) AG (as Trustee Rawlinson Family Trust)	4,696,239	1.05
9.	Garber, Mark	23,345,455	5.20
10.	Gibbs, Sir Roger	10,000,000	2.23
11.	Gibbs, Sir Roger Geoffrey; Godwin-Austen, Jonathan Reade; Richards, Geoffrey	4,400,000	0.98
12.	HSBC Global Custody Nominees UK Limited	1,200,000	0.27
13.	Oxigan Investment Corp	3,442,424	0.77
14.	Renwick, Lord Robin	11,562,084	2.58
15.	Roy Nominees Limited A/C 205000	6,807,098	1.52
16.	Said Holdings Limited	25,704,703	5.73
17.	Savernake Holdings (D) Limited	1,171,537	0.26
18.	SCB	89,727,767	20.00

S. No.	Name of the shareholder	No. of equity shares	Percentage
19.	Sukhanov, Denis	3,153,885	0.70
20.	Regent Trust Co Limited	15,869,350	3.54
21.	Von Moos, Patrick	1,115,909	0.25
22.	Collspring Securities Limited	7,295,454	1.63
23.	Jane Fletcher	5,674,242	1.26
24.	Frank Nominees Ltd	3,000,000	0.67
25.	Other third parties	15,064,810	3.36
Total		**448,632,711**	**100**

* Holdings of less than 1,000,000 shares have been aggregated into the category "Other third parties".

Board of Directors (as of 2 June 2009)

The board of directors of Fleming Family & Partners Limited consists of:

Name	Position
Beringer, Guy	Director
Bullock, Gareth Richard	Director
Davies, Mark Edward Trehearne	Director
Durbin, Annemarie Verna Florence	Director
Fleming, Philip	Director
Fleming, Valentine Patrick	Director
Garber, Mark Rafailovich	Director
Lord William Waldegrave of North Hill	Director
Lord Robin Renwick of Clifton	Director
Flemming, Adam Richard	Director
Schuster, Richard Douglas	Director

Financial Performance

The consolidated audited financial results for Fleming Family & Partners Limited, based on results reported under local GAAP, for the financial years ended 31 March 2009, 2008 and 2007 are as follows:

	Year ended 31 March 2009	Year ended 31 March 2008	Year ended 31 March 2007
		(In US$m)	
Turnover (including share of turnover of joint venture)	83	122	120
Profit after tax	(2)	16	14
Equity Share Capital	23	26	26
Reserve and Surplus	23	40	29

	Year ended 31 March 2009	Year ended 31 March 2008	Year ended 31 March 2007
		(In Rs.m)	
Turnover (including share of turnover of joint venture)	3,874	5,695	5,602
Profit after tax	(93)	747	654
Equity Share Capital	1,074	1,214	1,214
Reserve and Surplus	1,074	1,867	1,354

MCASHBACK LIMITED[1]

The information relating to MCashback Limited has been extracted, as far as available, from the annual return for the year ended 30 July 2009 filed by that company in accordance with UK law. The Company's share of MCashback Limited is included in the consolidated financial accounts of the Company.

Corporate Information

MCashback Limited, an associate of the Company, was incorporated on 30 July 2002. Presently, its registered office is located at Begbies Traynor (Central) LLP, 32 Cornhill, London EC3V 3BT. It is engaged in the business of banking and the provision of other financial services.

Shareholding Pattern (as of 30 July 2009)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage*
1.	Cooper, David	137,338	4.474
2.	Cooper, Robert	776,054	25.279
3.	Doyle, Charlotte Mary	273,708	8.916
4.	The Gildersleeve Settlement	225,000	7.329
5.	MEG LLP	—	—
6.	Morris, David	10,083	0.328
7.	Morris, Pam	10,083	0.328
8.	Pearce, Anthony	92,000	3
9.	Reed, Christopher	40,000	1.303
10.	Roe, Adrian	59,168	1.927
11.	Strong, Stephen	22,166	0.722
12.	Vadeboncoeur, Thomas Wayne	90,000	2.932
13.	Zghari, Ahmed	240,400	7.831
14.	SCB	973,951	31.725
15.	Alliance Trust Pensions Ltd	10,000	0.326
16.	Cornell, Timothy	90,000	2.932
17.	Morton, David	20,000	0.651
Total		**3,069,951**	**100**

Board of Directors (as of 30 July 2009)

The board of directors of MCashback Limited consists of:

Name	*Position*
Bradford, Paul Martin	Director
Cooper, Robert	Director
Kennedy, Paul	Director
Laws, Gavin Crawford	Director
Roe, Adrian	Director
Morton, David Alan	Director
Hadley, David Michael	Director

1 Administrator appointed on 29 January 2010.

Financial Performance

The audited financial results for MCashback Limited, based on results reported under local GAAP, for the financial years ended 31 December 2008 and 2007 are as follows:

	Year ended 31 December 2008	*Year ended 31 December 2007*
	(In US$m)	
Operating Income	—	—
Profit after tax	(16)	(12)
Equity Share Capital	0	0
Reserve and Surplus	2	20

	Year ended 31 December 2008	*Year ended 31 December 2007*
	(In Rs.m)	
Operating Income	—	—
Profit after tax	747	(560)
Equity Share Capital	0	0
Reserve and Surplus	93	933

MERCHANT SOLUTIONS PTE LIMITED

The information relating to Merchant Solutions Pte Limited has been extracted, as far as available, from an international report supplied by the Accounting and Corporate Regulatory Authority on 28 April 2010. The information was filed by that company in accordance with Singaporean law. The Company's share of Merchant Solutions Pte Ltd is included in the consolidated financial accounts of the Company.

Corporate Information

Merchant Solutions Pte Limited, an associate of the Company, was incorporated on 10 November 2006. Presently, its registered office is located at Millenia Tower, 1 Temasek Ave #27-01, 039192 Singapore. It is engaged in the business of banking and the provision of other financial services.

Shareholding Pattern (as of 9 March 2010)

S. No.	*Name of the shareholder*	*No. of equity shares*	*Percentage*
1.	Standard Chartered Bank (Hong Kong) Limited	440,000	44.00
2.	First Data Orca JV Holdco Pte Limited	560,000	56.00
Total		**1,000,000**	**100**

Board of Directors (as of 9 March 2010)

The board of directors of Merchant Solutions Pte Limited consists of:

Name	*Position*
Mathenz, Marc Kay	Chief Executive Officer
Hesh, Sean S.	Managing Director
Heimrich, Golfgang Helmut	Director
Janardhan, Cadambi Parthasarathi	Director
Fawcett, Karen	Director
Lee, Nigel Laurie	Director
Bell, Robyn Patricia	Director
Teo, Patricia	Sales Manager
Chen, Matthew	Sales Manager

Financial Performance

The financial results for Merchant Solutions Pte Limited are not publicly available; this information does not form part of the international report supplied by the Accounting and Corporate Regulatory Authority.

ASIA COMMERCIAL BANK, VIETNAM

The information relating to Asia Commercial Bank, Vietnam has been extracted, as far as available, from an international report dated 30 April 2010 containing information from local corporate registries and other publicly available information filed by that company in accordance with Vietnamese law (including the Annual Report 2008). The Company's share of Asia Commercial Bank, Vietnam is included in the consolidated financial accounts of the Company.

Corporate Information

Asia Commercial Bank, Vietnam was incorporated in 13 May 1993. Presently, its registered office is located at 442 Nguyen Thi Minh Khai Street, District 3, Ho Chi Min City, Vietnam. It is a Vietnam-based financial institution. The company provides consumer and corporate banking services, including taking deposits in VND, gold and foreign currencies, lending, equity investment in VND, gold and foreign currencies, payment services, treasury services, remittances, bancassurance, foreign exchange trading and gold trading, credit card and debit card issuance.

Shareholding Pattern (as of 9 March 2010)

S. No.	*Name of major shareholders*	*No. of equity shares*
1.	Connaught Investors Ltd. (Jardine Matheson Group)	46,123,341
2.	Standard Chartered APR Ltd.	55,667,575
3.	Dragon Financial Holdings Limited	43,269,112
4.	Standard Chartered Bank (Hong Kong) Ltd.	39,803,244
Paid up Capital		**VND 6,355,813,000,000**

Board of Directors

The senior company personnel of Asia Commercial Bank, Vietnam (as per the 2010 international report) consists of:

Name	*Position*
Mr. Ly Xuan Hai	Chairman
Mr. Pham Trung Cang	Vice-Chairman
Mr. Trinh Kim Quang	Vice-Chairman
Mr. Le Vu Ky	Vice-Chairman
Mr. Tran Hung Huy	Member
Mr. Huynh Quang Tuan	Member
Mr. Alain Cany	Member
Mr. Dominic Scriven	Member
Mr. Julian Fong Loong Choon	Member
Mr. Luong Van Tu	Member

Financial Performance

The audited financial results for Asia Commercial Bank, Vietnam, based on results reported under local GAAP, for the three months ended 31 March 2009 and the financial years ended 31 December 2008 and 2007 are as follows:

	Three months ended 31 March 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
	(In US$m except share data)		
Total income	140	821	398
Profit after tax	20	135	109
Equity Share Capital	344	364	164
Reserve and Surplus	64	81	227

	Three months ended 31 March 2009	*Year ended 31 December 2008*	*31 December 2007*
	(In Rs.m except share data)		
Total income	6,535	38,324	18,579
Profit after tax	934	6,302	5,088
Equity Share Capital	16,058	16,992	7,656
Reserve and Surplus	2,988	3,781	10,596

Listed subsidiaries of the Company

Name of the subsidiary	*Primary Stock Exchange of listing*	*Country*	*Year of Listing*
Standard Chartered Bank Ghana Limited	Ghana Stock Exchange	Ghana	1991
Standard Chartered Bank Kenya Limited	Nairobi Stock Exchange, Kenya	Kenya	1986
Standard Chartered Bank (Pakistan) Limited	The Karachi Stock Exchange	Pakistan	2007
Standard Chartered Bank Modaraba (Pakistan)	The Karachi Stock Exchange	Pakistan	1987
Standard Chartered Leasing Limited (Pakistan)	The Karachi Stock Exchange	Pakistan	1994
Standard Chartered Bank Zambia Plc	The Lusaka Stock Exchange Ltd	Zambia	1998
Standard Chartered Bank Botswana Limited	Botswana Stock Exchange	Botswana	1984
Standard Chartered Bank Nepal Limited	Nepal Stock Exchange Limited	Nepal	1988

Listed associates of the Company

Name of Associate	*Primary Stock Exchange of listing*	*Country*	*Year of Listing*
PT Bank Permata Tbk	Indonesia Stock Exchange	Indonesia	1990
Asia Commercial Bank	Vietnam Stock Exchange	Vietnam	2006

For a complete list of Standard Chartered's subsidiaries, please see the section titled "*List of Subsidiaries, Associates, Joint Ventures and Special Purpose Entities*" on page 283 of this Red Herring Prospectus.

LIST OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND SPECIAL PURPOSE ENTITIES

Company Name		Country	User grouping	Company status
1.	African Banking Corporation Limited	United Kingdom	SUBSIDIARY	Dormant
2.	Alpha View Investments Limited	Hong Kong	SPE-CONSOLI	Dormant
3.	American Express International Deposit Company	Cayman Islands	SUBSIDIARY	In Liquidation
4.	American Express International Finance Corp.N.V.	Netherlands	SUBSIDIARY	Dormant
5.	Amphissa Corporation Sdn Bhd	Malaysia	SPE-CONSOLI	Active
6.	Asia Commercial Bank	Vietnam	ASSOCIATE	Active
7.	Banco Standard Chartered S.A.	Peru	SUBSIDIARY	In Liquidation
8.	Birdsong Limited	Guernsey	SUBSIDIARY	Active
9.	Bonds Receivables Trust 2006 Series I	India	SPE-CONSOLI	Active
10.	Bonds Receivables Trust 2006 Series II	India	SPE-CONSOLI	Active
11.	BWA Dependents Limited	United Kingdom	SUBSIDIARY	Dormant
12.	Canas Leasing Limited	Ireland	SPE-CONSOLI	Active
13.	Cartaban (Malaya) Nominees Sdn Berhad	Malaysia	SUBSIDIARY	Active
14.	Cartaban Nominees (Asing) Sdn Bhd	Malaysia	SUBSIDIARY	Active
15.	Cartaban Nominees (Tempatan) Sdn Bhd	Malaysia	SUBSIDIARY	Active
16.	Chartered Corporate Services Singapore Limited	Singapore	SUBSIDIARY	Dormant
17.	Chartered Financial Holdings Limited	United Kingdom	SUBSIDIARY	Active
18.	Chartered Insurance Services Limited	United Kingdom	SUBSIDIARY	Dormant
19.	Cherroots Nigeria Limited	Nigeria	SPE-CONSOLI	Active
20.	China Bohai BankCompany Ltd	China	ASSOCIATE	Active
21.	Compass Estates Limited	United Kingdom	SUBSIDIARY	Active
22.	CWB Capital Partners (Investments) Limited	United Kingdom	SUBSIDIARY	Active
23.	CWB Capital Partners (Nominees) Limited	United Kingdom	SUBSIDIARY	Dormant
24.	CWB Capital Partners Limited	United Kingdom	SUBSIDIARY	Active
25.	Elviria Leasing Limited	Ireland	SPE-CONSOLI	Active
26.	Exonomy Limited	United Kingdom	SUBSIDIARY	In Liquidation
27.	FAI Limited	Mauritius	ASSOCIATE	Active
28.	FAWA Corporate Advisors Services Limited	Nigeria	SUBSIDIARY	Active
29.	Finventures KBL LLC	United States	SPE-CONSOLI	Active
30.	FinVentures UK Limited	United Kingdom	SUBSIDIARY	Active
31.	First Africa E.A. Limited	Kenya	SUBSIDIARY	Active
32.	First Africa Group Holdings Limited	United Kingdom	SUBSIDIARY	Active
33.	First Africa SA (Proprietary) Limited	South Africa	SUBSIDIARY	Active
34.	Fleming Family & Partners Limited	United Kingdom	ASSOCIATE	Active
35.	GE Capital (Hong Kong) Limited	Hong Kong	SUBSIDIARY	Active
36.	Global Nominees Ltd	Cayman Islands	SUBSIDIARY	Active
37.	Golden Maestro Sdn Bhd	Malaysia	SPE-CONSOLI	Active
38.	Grand Dragon Ltd	Cayman Islands	SPE-CONSOLI	Active
39.	Grimes Golden Limited	Hong Kong	SPE-CONSOLI	Active
40.	Griver Trustee LLC	United States	SPE-CONSOLI	Active
41.	Harrison Lovegrove & Co. (Washington) Limited	United Kingdom	SUBSIDIARY	Active
42.	Harrison Lovegrove & Co. Limited	United Kingdom	SUBSIDIARY	Active
43.	Harrison Lovegrove Sdn Bhd	Malaysia	SUBSIDIARY	Active
44.	HLC (US) Limited	United Kingdom	SUBSIDIARY	Active
45.	Horsford Nominees Limited	Hong Kong	SUBSIDIARY	Active
46.	Inishcannon Leasing Limited	Ireland	SPE-CONSOLI	Active
47.	Inishcorky Leasing Limited	Ireland	SPE-CONSOLI	Active
48.	Inishcrean Leasing Limited	Ireland	SPE-CONSOLI	Active
49.	Inishdasky Leasing Limited	Ireland	SPE-CONSOLI	Active
50.	Inisherkin Leasing Limited	Ireland	SPE-CONSOLI	Active
51.	Inishgort Leasing Limited	Ireland	SPE-CONSOLI	Active
52.	Inishilra Leasing Limited	Ireland	SPE-CONSOLI	Active
53.	Inishmullen Leasing Limited	Ireland	SPE-CONSOLI	Active
54.	Inishoo Leasing Limited	Ireland	SPE-CONSOLI	Active
55.	Inishquirk Leasing Limited	Ireland	SPE-CONSOLI	Active
56.	Inishroe Leasing Limited	Ireland	SPE-CONSOLI	Active
57.	Inishtubrid Leasing Limited	Ireland	SPE-CONSOLI	Active
58.	Inner Mongolia Helingeer Standard Chartered Village Bank Limited	China	SUBSIDIARY	Active
59.	IT-365 Malaysia Sdn Bhd	Malaysia	SUBSIDIARY	Active
60.	Izarde Limited	Cyprus	SPE-CONSOLI	In Liquidation
61.	Leopard Hong Kong Limited	Hong Kong	SUBSIDIARY	In Liquidation
62.	Long Bonds Receivables Trust 2007 Series V	India	SPE-CONSOLI	Active
63.	MCashback Limited	United Kingdom	ASSOCIATE	In Administration
64.	Manhattan Mortgage Company Limited	Hong Kong	SUBSIDIARY	Dormant
65.	Mariandella Limited	Cyprus	SPE-CONSOLI	In Liquidation
66.	Marmion Trustee LLC	United States	SPE-CONSOLI	Active
67.	Memylife Sdn Bhd	Malaysia	SUBSIDIARY	In Liquidation
68.	Merchant Solutions Private Limited	Singapore	ASSOCIATE	Active
69.	Merit Holdings Limited	Cayman Islands	SPE-CONSOLI	Active
70.	Merlion India Fund I Limited	Mauritius	SPE-CONSOLI	Active
71.	Merlion India Fund II Limited	Mauritius	SPE-CONSOLI	Dormant
72.	Merlion India III Limited	Mauritius	SPE-CONSOLI	Active
73.	Merlion India Managers Limited	Mauritius	SPE-CONSOLI	Active
74.	MILAA	Mauritius	SPE-CONSOLI	Active
75.	MINT Financial and Insurance Agency Inc	Philippines	JOINT VENTURE	Active
76.	Moneylink Limited	United Kingdom	SUBSIDIARY	Dormant
77.	Mortgage Asset Receivables Securitisation (1) Limited	Bermuda	SUBSIDIARY	Active
78.	New Group Investments Limited	Virgin Islands, British	SUBSIDIARY	Active

Company Name		Country	User grouping	Company status
79.	Newton Bond Investments Limited	Hong Kong	SPE-CONSOLI	Dormant
80.	Nightjar Limited	Ireland	SPE-CONSOLI	Active
81.	Nominees One Limited	Guernsey	SUBSIDIARY	Active
82.	Nominees Two Limited	Guernsey	SUBSIDIARY	Active
83.	Pembroke 23822 Limited	Ireland	SPE-CONSOLI	Active
84.	Pembroke 55067 Limited	Ireland	SPE-CONSOLI	Active
85.	Pembroke 7006 Leasing Limited	Ireland	SPE-CONSOLI	Active
86.	Pembroke 717 Leasing Limited	Ireland	SPE-CONSOLI	Active
87.	Pembroke Alpha Limited	Ireland	SPE-CONSOLI	Active
88.	Pembroke B717 Holdings B.V.	Netherlands	SPE-CONSOLI	Active
89.	Pembroke Capital Limited	Ireland	SPE-CONSOLI	Active
90.	Pembroke Capital Shannon Limited	Ireland	SPE-CONSOLI	Active
91.	Pembroke Funding BV	Netherlands	SPE-CONSOLI	Active
92.	Pembroke Group Limited	Isle of Man	SPE-CONSOLI	Active
93.	Pembroke Holland B.V.	Netherlands	SPE-CONSOLI	Active
94.	Pembroke Nominees Limited	Ireland	SPE-CONSOLI	Active
95.	Pembroke Orlando Limited	Ireland	SPE-CONSOLI	Active
96.	Pembroke Thai Aircraft ll B.V.	Netherlands	SPE-CONSOLI	Active
97.	Pembroke Toto Limited	Ireland	SPE-CONSOLI	Active
98.	Pembroke Wizard Limited	Ireland	SPE-CONSOLI	Active
99.	PF Financial Money-Leading Korea Limited	Korea, Republic of	SUBSIDIARY	Active
100.	Popular Ambience Sdn Bhd	Malaysia	SPE-CONSOLI	Active
101.	Price Solutions Philippines Inc	Philippines	SUBSIDIARY	Active
102.	Price Solutions Sdn Bhd	Malaysia	SUBSIDIARY	Active
103.	Price Solutions Singapore Pte Ltd	Singapore	SUBSIDIARY	Active
104.	PrimeCredit Limited	Hong Kong	SUBSIDIARY	Active
105.	Prime Financial Holdings Limited	Singapore	SUBSIDIARY	Active
106.	Prime Financial Limited	Hong Kong	SUBSIDIARY	Active
107.	PT Bank Permata Tbk	Indonesia	JOINT VENTURE	Active
108.	PT Standard Chartered Securities Indonesia	Indonesia	SUBSIDIARY	Active
109.	PT. Price Solutions Indonesia	Indonesia	SUBSIDIARY	Active
110.	Raffles Nominees (Pte.) Limited	Singapore	SUBSIDIARY	Active
111.	Resolution Alliance Sdn Bhd	Malaysia	SPE-CONSOLI	Active
112.	Ricanex Participations N.V.	Netherlands	SUBSIDIARY	Active
113.	Saluscap B.V.	Netherlands	SPE-CONSOLI	Active
114.	S C Learning Limited	Hong Kong	SUBSIDIARY	Active
115.	SC (Secretaries) Limited	United Kingdom	SUBSIDIARY	Dormant
116.	SC Transport Leasing 1 Limited	United Kingdom	SPE-CONSOLI	Active
117.	SC Transport Leasing 2 Limited	United Kingdom	SPE-CONSOLI	Active
118.	SC Transport Leasing Partnership 1	United Kingdom	SPE-CONSOLI	Active
119.	SC Transport Leasing Partnership 2	United Kingdom	SPE-CONSOLI	Active
120.	SC Transport Leasing Partnership 3	United Kingdom	SPE-CONSOLI	Active
121.	SC Transport Leasing Partnership 4	United Kingdom	SPE-CONSOLI	Active
122.	SC2 Investments (Singapore) Private Limited	Singapore	SPE-CONSOLI	Active
123.	SCB Nominees (CI) Limited	Jersey	SUBSIDIARY	Active
124.	SCB Securities Limited	United Kingdom	SUBSIDIARY	In Liquidation
125.	SCL Consulting (Shanghai) Co. Ltd	China	SUBSIDIARY	Active
126.	SCMB Overseas Limited	United Kingdom	SUBSIDIARY	Active
127.	Scope International (China) Co. Limited	China	SUBSIDIARY	Active
128.	Scope International (M) Sdn Bhd	Malaysia	SUBSIDIARY	Active
129.	Scope International Private Limited	India	SUBSIDIARY	Active
130.	Seychelles International Mercantile Banking Corporation Limited.	Seychelles		Active
131.	Shananda Limited	Ireland	SPE-CONSOLI	In Liquidation
132.	Shenzhen PrimeCredit Gerent Guarantee Company Limited	China	SUBSIDIARY	Active
133.	Shenzhen PrimeCredit Limited	China	SUBSIDIARY	Active
134.	Skua Limited	Ireland	SPE-CONSOLI	Active
135.	Smart Application Investment B.V.	Netherlands	SUBSIDIARY	Active
136.	Sociedad Fiduciaria Extebandes S.A.	Colombia	SPE-CONSOLI	In Liquidation
137.	Songbird Limited	Guernsey	SUBSIDIARY	Active
138.	St Helen's Nominees India Private Limited	India	SUBSIDIARY	Active
139.	St. Helens Nominees Limited	United Kingdom	SUBSIDIARY	Dormant
140.	Stanchart Forex Bureau Limited	Tanzania, United Republic of	SUBSIDIARY	Dormant
141.	Stanchart Leasing Limited	United Kingdom	SUBSIDIARY	Dormant
142.	Stanchart Nominees Limited	United Kingdom	SUBSIDIARY	Dormant
143.	StanChart Securities International, Inc.	United States	SUBSIDIARY	Active
144.	Standard Chartered – Istithmar Real Estate Advisory Services (India) Pvt. Ltd	India	SPE-CONSOLI	Strike Off Requested
145.	Standard Chartered – STCI Capital Markets Limited	India	JOINT VENTURE	Active
146.	Standard Chartered (1996) Limited	Singapore	SPE-CONSOLI	Active
147.	Standard Chartered (2000) Limited	Singapore	SPE-CONSOLI	Active
148.	Standard Chartered (CT) PLC	United Kingdom	SUBSIDIARY	Active
149.	Standard Chartered (GCT) Limited	United Kingdom	SUBSIDIARY	Active
150.	Standard Chartered (India) Wealth Advisory Services Private Limited	India	SUBSIDIARY	Dormant
151.	Standard Chartered (Jersey) Holdings Limited	Jersey	SUBSIDIARY	Active
152.	Standard Chartered (Jersey) Limited	Jersey	SUBSIDIARY	Active
153.	Standard Chartered (SFD No.1) Limited	United Kingdom	SUBSIDIARY	Active
154.	Standard Chartered (SFD No.2) Limited	United Kingdom	SUBSIDIARY	Active
155.	Standard Chartered (Thai) Asset Management Co. Ltd.	Thailand	SPE-CONSOLI	Active
156.	Standard Chartered (Thailand) Company Limited	Thailand	SUBSIDIARY	Active
157.	Standard Chartered Africa PLC	United Kingdom	SUBSIDIARY	Active
158.	Standard Chartered APR Limited	United Kingdom	SUBSIDIARY	Active
159.	Standard Chartered Asia 2 (Hong Kong) Limited	Hong Kong	SUBSIDIARY	Dormant
160.	Standard Chartered Asia Limited	Hong Kong	SUBSIDIARY	Active

Company Name		Country	User grouping	Company status
161.	Standard Chartered Asia Real Estate Fund Company Limited	Cayman Islands	SPE-CONSOLI	Active
162.	Standard Chartered Bank	United Kingdom	SUBSIDIARY	Active
163.	Standard Chartered Bank (Bahamas) Limited	Bahamas	SUBSIDIARY	In Liquidation
164.	Standard Chartered Bank (China) Limited	China	SUBSIDIARY	Active
165.	Standard Chartered Bank (Hong Kong) Limited	Hong Kong	SUBSIDIARY	Active
166.	Standard Chartered Bank (Mauritius) Limited	Mauritius	SUBSIDIARY	Active
167.	Standard Chartered Bank (Pakistan) Limited	Pakistan	SUBSIDIARY	Active
168.	Standard Chartered Bank (Switzerland) S.A.	Switzerland	SUBSIDIARY	Active
169.	Standard Chartered Bank (Taiwan) Limited	Taiwan, Province of China	SUBSIDIARY	Active
170.	Standard Chartered Bank (Thai) Public Company Limited	Thailand	SUBSIDIARY	Active
171.	Standard Chartered Bank (Vietnam) Limited	Vietnam	SUBSIDIARY	Active
172.	Standard Chartered Bank Botswana Insurance Agency (Pty) Limited	Botswana	SUBSIDIARY	Active
173.	Standard Chartered Bank Botswana Investment Services (Pty) Limited	Botswana	SUBSIDIARY	Active
174.	Standard Chartered Bank Botswana Limited	Botswana	SUBSIDIARY	Active
175.	Standard Chartered Bank Cameroon SA	Cameroon	SUBSIDIARY	Active
176.	Standard Chartered Bank Cote d' Ivoire SA	Cote D'Ivoire	SUBSIDIARY	Active
177.	Standard Chartered Bank Gambia Limited	Gambia	SUBSIDIARY	Active
178.	Standard Chartered Bank Ghana Limited	Ghana	SUBSIDIARY	Active
179.	Standard Chartered Bank International (Americas) Limited	United States	SUBSIDIARY	Active
180.	Standard Chartered Bank Kenya Limited	Kenya	SUBSIDIARY	Active
181.	Standard Chartered Bank Latin America B.V.	Netherlands	SPE-CONSOLI	Active
182.	Standard Chartered Bank Malaysia Berhad	Malaysia	SUBSIDIARY	Active
183.	Standard Chartered Bank Nepal Limited	Nepal	SUBSIDIARY	Active
184.	Standard Chartered Bank Nigeria Limited	Nigeria	SUBSIDIARY	Active
185.	Standard Chartered Bank Nominees (Jersey) Limited	Jersey	SUBSIDIARY	Active
186.	Standard Chartered Bank Representacao Limitada	Brazil	SPE-CONSOLI	Active
187.	Standard Chartered Bank SAL	Lebanon	SUBSIDIARY	Active
188.	Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SUBSIDIARY	Active
189.	Standard Chartered Bank Tanzania Limited	Tanzania, United Republic of	SUBSIDIARY	Active
190.	Standard Chartered Bank Uganda Limited	Uganda	SUBSIDIARY	Active
191.	Standard Chartered Bank Zambia Plc	Zambia	SUBSIDIARY	Active
192.	Standard Chartered Bank Zimbabwe Limited	Zimbabwe	SUBSIDIARY	Active
193.	Standard Chartered Basinghall Nominees Limited	United Kingdom	SUBSIDIARY	Dormant
194.	Standard Chartered Capital (Jersey) Limited	Jersey	SUBSIDIARY	Active
195.	Standard Chartered Capital (Korea) Company Limited	Korea, Republic of	SUBSIDIARY	Active
196.	Standard Chartered Capital I L.P.	United States	SPE-CONSOLI	Active
197.	Standard Chartered Capital Investments, LLC	United States	SPE-CONSOLI	Active
198.	Standard Chartered Capital Management (Jersey), LLC	United States	SPE-CONSOLI	Active
199.	Standard Chartered Capital Markets Limited	United Kingdom	SUBSIDIARY	Active
200.	Standard Chartered Capital Trust I	United States	SPE-CONSOLI	Active
201.	Standard Chartered Corporate Advisory Co. Ltd	China	SUBSIDIARY	Active
202.	Standard Chartered Corporate Finance (Canada) Limited	United Kingdom	SUBSIDIARY	Active
203.	Standard Chartered Corporate Finance (Eurasia) Limited	United Kingdom	SUBSIDIARY	Active
204.	Standard Chartered Custody (Hong Kong) Limited	Hong Kong	SUBSIDIARY	Dormant
205.	Standard Chartered Cyber International Limited (In Members' Voluntary Liquidation)	Virgin Islands, British	SUBSIDIARY	In Liquidation
206.	Standard Chartered Debt Trading Limited	United Kingdom	SPE-CONSOLI	Active
207.	Standard Chartered Equitor Global Asset Management Limited	United Kingdom	SUBSIDIARY	Dormant
208.	Standard Chartered Equitor Group Limited	Cook Islands	SUBSIDIARY	Dormant
209.	Standard Chartered Equitor Limited	United Kingdom	SUBSIDIARY	Active
210.	Standard Chartered Export Finance Limited	United Kingdom	SUBSIDIARY	Dormant
211.	Standard Chartered Finance (Brunei) Bhd	Brunei Darussalam	SUBSIDIARY	Active
212.	Standard Chartered Finance (Jersey) Limited	Jersey	SUBSIDIARY	Active
213.	Standard Chartered Finance B.V.	Netherlands	SUBSIDIARY	Dormant
214.	Standard Chartered Finance Limited	India	SUBSIDIARY	Active
215.	Standard Chartered Financial Investments Limited	United Kingdom	SPE-CONSOLI	Active
216.	Standard Chartered Financial Services (Luxembourg) S.A.	Luxembourg	SUBSIDIARY	In Liquidation
217.	Standard Chartered Financial Services Limited	Kenya	SUBSIDIARY	Dormant
218.	Standard Chartered Financing No. 1 (UK) Limited	United Kindom	SUBSIDIARY	Active
219.	Standard Chartered Financing No. 2 (UK) Limited	United Kingdom	SUBSIDIARY	Active
220.	Standard Chartered First Bank Korea Limited	Korea, Republic of	SUBSIDIARY	Active
221.	Standard Chartered Forex Corporation	Philippines	SUBSIDIARY	Dormant
222.	Standard Chartered Fund Service Korea Limited	Korea, Republic of	SUBSIDIARY	Active
223.	Standard Chartered Funding (Jersey) Limited	Jersey	SUBSIDIARY	Active
224.	Standard Chartered FURBS Trustee Limited	United Kingdom	SUBSIDIARY	Dormant
225.	Standard Chartered Global Trading Investments Limited	Hong Kong	SUBSIDIARY	Active Non-Trading
226.	Standard Chartered Grindlays Pty Limited	Australia	SUBSIDIARY	Dormant
227.	Standard Chartered Holdings (Africa) B.V.	Netherlands	SUBSIDIARY	Active
228.	Standard Chartered Holdings (Asia Pacific) B.V.	Netherlands	SUBSIDIARY	Active
229.	Standard Chartered Holdings (Germany) GmbH	Germany	SUBSIDIARY	Dormant
230.	Standard Chartered Holdings (International) B.V.	Netherlands	SUBSIDIARY	Active
231.	Standard Chartered Holdings Inc.	United States	SUBSIDIARY	Active
232.	Standard Chartered Holdings Limited	United Kingdom	SUBSIDIARY	Active
233.	Standard Chartered Insurance Limited	Isle of Man	SUBSIDIARY	Active
234.	Standard Chartered International (USA) Ltd.	United States	SUBSIDIARY	Active
235.	Standard Chartered Investment Services Limited	Ghana	SPE-CONSOLI	Active
236.	Standard Chartered Investment Services Limited	Hong Kong	SUBSIDIARY	Active
237.	Standard Chartered Investment Services Limited	Kenya	SUBSIDIARY	Active
238.	Standard Chartered Investments (Cayman) Limited	Cayman Islands	SUBSIDIARY	Active
239.	Standard Chartered Investments (Singapore) Private Limited	Singapore	SPE-CONSOLI	Active
240.	Standard Chartered Investments and Loans (India) Limited	India	SUBSIDIARY	Active
241.	Standard Chartered Investments Limited	United Kingdom	SUBSIDIARY	Dormant

Company Name		Country	User grouping	Company status
242.	Standard Chartered Kenya Nominees Limited	Kenya	SUBSIDIARY	Dormant
243.	Standard Chartered Korea Limited	Korea, Republic of	SUBSIDIARY	Active
244.	Standard Chartered Lease Trustee Limited	United Kingdom	SUBSIDIARY	Dormant
245.	Standard Chartered Leasing (UK) 2 Limited	United Kingdom	SPE-CONSOLI	Active
246.	Standard Chartered Leasing (UK) 3 Limited	United Kingdom	SPE-CONSOLI	Active
247.	Standard Chartered Leasing (UK) Limited	United Kingdom	SPE-CONSOLI	Active
248.	Standard Chartered Leasing Limited	Pakistan	SUBSIDIARY	Active
249.	Standard Chartered Life Insurance Agency Company	Taiwan, Province of China	SUBSIDIARY	Active
250.	Standard Chartered Management Services Limited	Kenya	SUBSIDIARY	Dormant
251.	Standard Chartered MB Holdings B.V.	Netherlands	SUBSIDIARY	Active
252.	Standard Chartered Metropolitan Holdings SAL	Lebanon	SUBSIDIARY	Active
253.	Standard Chartered Modaraba	Pakistan	SUBSIDIARY	Active
254.	Standard Chartered Mortgage Finance Limited	United Kingdom	SUBSIDIARY	Dormant
255.	Standard Chartered Mutual Savings Bank Korea Co. Ltd	Korea, Republic of	SUBSIDIARY	Active
256.	Standard Chartered NEA Limited	United Kingdom	SUBSIDIARY	Active
257.	Standard Chartered Nominees (Singapore) Pte Ltd	Singapore	SUBSIDIARY	Active
258.	Standard Chartered Nominees (Western Samoa) Limited	Samoa	SUBSIDIARY	Active
259.	Standard Chartered Nominees Limited	United Kingdom	SUBSIDIARY	Dormant
260.	Standard Chartered Offshore Limited	Jersey	SUBSIDIARY	Active
261.	Standard Chartered Overseas Holdings Limited	United Kingdom	SUBSIDIARY	Active
262.	Standard Chartered Overseas Investment, Inc.	United States	SUBSIDIARY	Active
263.	Standard Chartered Portfolio Trading (UK) Limited	United Kingdom	SPE-CONSOLI	Active
264.	Standard Chartered Principal Finance (Cayman) Limited	Cayman Islands	SPE-CONSOLI	Dormant
265.	Standard Chartered Private Equity (Mauritius) II Limited	Mauritius	SPE-CONSOLI	Active
266.	Standard Chartered Private Equity (Mauritius) Limited	Mauritius	SPE-CONSOLI	Active
267.	Standard Chartered Private Equity (Mauritius) III Limited	Mauritius	SPE-CONSOLI	Active
268.	Standard Chartered Private Equity (Singapore) Pte. Ltd	Singapore	SPE-CONSOLI	Active
269.	Standard Chartered Private Equity Advisory (India) Private Limited	India	SPE-CONSOLI	Active
270.	Standard Chartered Private Equity Limited	Hong Kong	SUBSIDIARY	Active
271.	Standard Chartered Private Equity Managers (Hong Kong) Limited	Hong Kong	SUBSIDIARY	Active
272.	Standard Chartered Private Equity Managers (Singapore) Pte. Ltd	Singapore	SPE-CONSOLI	Active
273.	Standard Chartered Private Equity Managers Korea Limited	Korea, Republic of	SPE-CONSOLI	Active
274.	Standard Chartered Real Estate Advisory Services (HK) Limited Beijing Representative Office	China	SPE-CONSOLI	Active
275.	Standard Chartered Real Estate Advisory Services (Hong Kong) Limited	Hong Kong	SPE-CONSOLI	Active
276.	Standard Chartered Real Estate Fund Management (Singapore) Pte. Limited	Singapore	SPE-CONSOLI	Active
277.	Standard Chartered Receivables (UK) Limited	United Kingdom	SPE-CONSOLI	Active
278.	Standard Chartered Saadiq Berhad	Malaysia	SUBSIDIARY	Active
279.	Standard Chartered Secretaries (Guernsey) Limited	Guernsey	SUBSIDIARY	Active
280.	Standard Chartered Securities (Hong Kong) Limited	Hong Kong	SUBSIDIARY	Active
281.	Standard Chartered Securities (North America) Inc.	United States	SUBSIDIARY	Active
282.	Standard Chartered Securities (Singapore) Pte. Limited	Singapore	SUBSIDIARY	Active
283.	Standard Chartered Securities Korea Limited	Korea, Republic of	SUBSIDIARY	Active
284.	Standard Chartered Share Trustees Limited	United Kingdom	SUBSIDIARY	Dormant
285.	Standard Chartered Sherwood (HK) Limited	Hong Kong	SUBSIDIARY	Active
286.	Standard Chartered Sierra Leone Dependents Limited	Sierra Leone	SUBSIDIARY	Active
287.	Standard Chartered Strategic Brand Management Limited	United Kingdom	SUBSIDIARY	Active
288.	Standard Chartered Trade Services Corporation	United States	SUBSIDIARY	Active
289.	Standard Chartered Trade Support (HK) Limited	Hong Kong	SPE-CONSOLI	Active
290.	Standard Chartered Trust (Cayman) Limited	Cayman Islands	SUBSIDIARY	Active
291.	Standard Chartered Trust (Guernsey) Limited	Guernsey	SUBSIDIARY	Active
292.	Standard Chartered Trustees (UK) Limited	United Kingdom	SUBSIDIARY	Dormant
293.	Standard Chartered UK Holdings Limited	United Kingdom	SUBSIDIARY	Active
294.	Standard Chartered Uruguay Representacion S.A.	Uruguay	SUBSIDIARY	Active
295.	Standard Chartered Zambia Nominees Limited	Zambia	SUBSIDIARY	Dormant
296.	Taiwan Standard Chartered Insurance Agency Company	Taiwan, Province of China	SUBSIDIARY	Active
297.	Thai Exclusive Leasing Company Limited	Thailand	SUBSIDIARY	Active
298.	The C.B.I. Development Corporation Limited	United Kingdom	SUBSIDIARY	Dormant
299.	Treasureland Worldwide Limited	Virgin Islands, British	SPE-CONSOLI	Dormant
300.	Vesey Limited	Cayman Islands	SUBSIDIARY	Active
301.	Westwood Limited	Samoa	SUBSIDIARY	Active
302.	Ying Ji Li Asset Management Company Limited	Taiwan, Province of China	SUBSIDIARY	Active

Glossary of "user groupings"

Associate	An entity 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% and 50% of the voting rights.
Joint venture	An entity over which the Group has joint control.
SPE-Consoli	An SPE is an entity that is consolidated when the substance of the relationship between the Group and the 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.
Subsidiary	An entity, including a special purpose entity, 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.

DIRECTORS AND SENIOR MANAGEMENT

Promoters

The Company has no promoters and is professionally managed by the Board.

Directors

The following table sets forth details regarding the Board as of the date of filing this Red Herring Prospectus with SEBI:

Name and Position in the Company	*Age*	*Other Directorships*	*Position*
J W Peace	61	Burberry Group plc	Director
Chairman		Experian plc (Jersey)	Director
		Experian Holdings Limited	Director
		Experian North America, Inc	Director
		Musto Topco Limited	Director
		The First American Corporation	Director
P A Sands	48	The Hong Kong Association	Director
Group Chief Executive		The Roundhouse Trust	Director
		Institute of International Finance	Director
S P Bertamini	45	—	—
Group Executive Director			
J S Bindra	49	Vital Voices Global Partnership	Director
Group Executive Director			
R H Meddings	52	3i Group plc	Director
Group Finance Director			
A M G Rees	54	—	—
Group Executive Director			
R Delbridge	67	Tate & Lyle PLC	Director
Non-executive Director			
J F T Dundas	59	Jupiter Investment Management Holdings	Director
Non-executive Director		Limited	Director
		Jupiter Asset Management Group Limited	Director
		Jupiter Fund Management Group Limited	Director
		Macmillan Cancer Support	Director
V F Gooding CBE	59	J Sainsbury plc	Director
Non-executive Director		British Broadcasting Corporation	Director
		Lawn Tennis Association	Director
		Kingston Theatre Trust	Director
Dr Han Seung-soo KBE	73	—	—
Non-executive Director			
S J Lowth	48	AstraZeneca PLC	Director
Non-executive Director		AstraZeneca UK Limited	Director
		AstraZeneca Intermediale Holdings Limited	Director
R H P Markham	64	AstraZeneca PLC	Director
Non-executive Director and Senior		Legal & General Group PLC	Director
Independent Director		The Financial Reporting Council Limited	Director
		UCL Partners Limited	Director
		United Parcel Service, Inc.	Director
		Moorfields Eye Hospital	Director
R Markland	57	The Sage Group PLC	Director
Non-executive Director		WRVS	Director
		WRVS Enterprises Limited	Director
		WRVS Food Services Limited	Director
		WRVS Office Premises Limited	Director
		WRVS Services Welfare Limited	Director
		Arcadis NV	Director

Name and Position in the Company	*Age*	*Other Directorships*	*Position*
J G H Paynter Non-executive Director	55	Jardine Lloyd Thompson Group plc	Director
		110 Drayton Gardens Management Company Limited	Director
P D Skinner Non-executive Director	65	Air Liquide S.A.	Director
		INSEAD	Director
		Tetra Laval International SA	Director
O H J Stocken Non-executive Director	68	Chichester Festival Theatre Limited	Director
		Felsted School Trustee Limited	Director
		Home Retail Group plc	Director
		Hoyle Barn Limited	Director
		Oval Limited	Director
		Stanhope Group Holdings Limited	Director
		The Natural History Museum Trading Company Limited	Director
		The Cricket Foundation	Director
		Marylebone Cricket Club (MCC)	Director

All of the above non-executive Directors are independent.

The address of each of the Directors is the Company's principal place of business in the UK at 1 Basinghall Avenue, London EC2V 5DD.

Brief Profile of the Directors

John Wilfred Peace, 61

John Peace joined the Board as Deputy Chairman in August 2007. He was appointed Acting Chairman on 14 January 2009, and Chairman on 2 July 2009. John is chairman of Experian plc and Burberry Group plc. He is also a member 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. Between 2000 and 2006, he was chief executive of GUS plc, having joined the board in 1997.

Peter Alexander Sands, 48

Peter was appointed Group Chief Executive on 20 November 2006. Peter joined the Board on 14 May 2002 as Finance Director, with responsibility for finance, risk, strategy and technology and operations. He joined Standard Chartered from consultancy McKinsey & Co, where he was a director working in the banking and technology sectors in a wide range of international markets.

Stefano Paolo Bertamini, 45

Steve was appointed Chief Executive, Consumer Banking on 1 June 2008. Steve previously spent 22 years with GE, most recently as Chairman and chief executive of GE North East Asia. He was appointed president of GE Capital Asia in January 2001, and assumed responsibility for the conglomerate's merger and acquisition business in the Asia-Pacific region from 2004.

Jaspal Singh Bindra, 49

Jaspal was appointed as Group Executive Director from 1 January 2010, keeping his responsibilities for growth and governance in Asia. Jaspal joined the Bank in 1998 and is a director of Standard Chartered Bank. He has a wide range of international experience including Global Head of Client Relationships where he played a key role in the introduction of the client focused strategy that has served Wholesale Banking so well. As Chief Executive Officer in India, he oversaw the successful acquisition and integration of Grindlays Bank and set India on its path to become the second largest market in the Company today.

Richard Henry Meddings, 52

Richard was appointed Finance Director on 20 November 2006, and is responsible for finance, corporate treasury, group strategy, corporate development and risk. Prior to this Richard joined the Board on 16 November 2002 as Group Executive Director with responsibility for risk and special assets management. In February 2004 he assumed responsibility for legal and compliance, and from

March 2005 responsibility for growth and governance across Africa, the Middle East, Pakistan, the United Kingdom, Europe and the Americas. He joined Standard Chartered from Barclays PLC, where he served as Chief Operating Officer for private clients and prior to that as Group Financial Controller. He was Group Finance Director of Woolwich plc. He is a non-executive director of 3i Group plc and is a member of both the Governing Council of the International Chamber of Commerce UK.

Alun Michael Guest Rees, 54

Mike was appointed to the Board on 4 August 2009. He joined in 1990 as chief financial officer for treasury, and was appointed regional treasurer in Singapore, responsible for the Company's South East Asia treasury businesses, in October 1994. He was appointed Head of Global Markets in late 2000, and two years later was appointed Chief Executive Wholesale Banking, with responsibility for all wholesale banking products in addition to his responsibilities for global markets products.

Richard Delbridge, 67

Richard joined the Board on 1 January 2010. Richard has been Senior Independent Director of Tate & Lyle PLC since December 2003. In 1976, he joined JP Morgan and was Group Comptroller and later Managing Director of the London offices. In 1989, he was appointed Director, Group Finance, at Midland Bank plc, later becoming Group Finance Director, HSBC Holdings plc. In 1996, Richard was appointed Director and Group Chief Financial Officer of National Westminster Bank Plc, a position he held until April 2000. Richard's previous non executive director positions include JP Morgan Cazenove, Fortis N.V., Fortis SA/NV, Balfour Beatty plc, Gallaher Group Plc, Innogy plc and Egg plc. He was a council member and treasurer of the Open University for eight years until 2009.

James Frederick Trevor Dundas, 59

Jamie was appointed to the Board on 15 March 2004. He is chairman of Jupiter Investment Management Holdings Limited and of Macmillan Cancer Support. Over his career, Jamie has been a non-executive director of Drax Group plc, chief executive of UK-based property company MEPC, finance director of the Airport Authority Hong Kong and a director of Morgan Grenfell & Co Limited.

Val Frances Gooding CBE, 59

Val was appointed to the Board on 1 January 2005. Val is a non-executive director of J Sainsbury plc, the Lawn Tennis Association and the BBC and a trustee of the British Museum. Between 1998 and 2008, Val was chief executive officer of healthcare organisation BUPA, which she joined from British Airways where she held several executive positions.

Dr Han Seung-soo KBE, 73

Dr Han is a former Prime Minister of the Republic of Korea joined the Board on 1 January 2010. He has a distinguished political, diplomatic and administrative career serving as Deputy Prime Minister and Minister of Finance, Foreign Affairs, and Industry and Trade before serving as Prime Minister in 2008 and 2009. He also served as Korean Ambassador to the United States, Chief of Staff to the President, President of the 56th Session of the United Nations General Assembly, Special Envoy of the UN Secretary-General on Climate Change and Chairman of the 2009 OECD Ministerial Council Meeting in Paris. He is currently on the UN Secretary-General's Advisory Board on Water and Sanitation as well as Founding Chair of the High-Level Expert Panel on Water and Disaster/UNSGAB.

Simon Jonathan Lowth, 48

Simon was appointed to the Board on 1 May 2010. He is an executive director and chief financial officer of AstraZeneca PLC. Previously, he was financial director of Scottish Power plc and has 15 years' experience at McKinsey & Company, latterly as a senior director.

Rudolph Harold Peter Markham, 64

Rudy was appointed to the Board on 19 February 2001. He is a non-executive director of Legal & General Group Plc, AstraZeneca PLC and United Parcel Service, Inc. and a member of the board of the Financial Reporting Council. He is also a non-executive chairman of Moorfields Eye Hospital and a member of the Operational Board of the Foreign and Commonwealth Office. He served as chief financial officer at Unilever from 2000 to 2007, having joined the board in 1998 as strategy and technology director.

Ruth Markland, 57

Ruth was appointed to the Board on 3 November 2003. Ruth is chairman of the board of trustees of charity WRVS and a non-executive director of The Sage Group plc and a member of the supervisory board of Arcadis NV. She was a partner at international law firm Freshfields Bruckhaus Deringer, managing their Asian offices.

John Gregor Hugh Paynter, 55

John was 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, where he worked for 29 years. He was appointed partner in 1986 and later headed corporate finance, its largest business.

Paul David Skinner, 65

Paul was appointed to the Board on 3 November 2003. Paul is chair of the advisory board of Infrastructure UK, a division of HM Treasury, mandated to bring a strategic focus to infrastructure development as a driver of economic growth in the UK. He is also a non-executive director of L'Air Liquide SA and the Tetra Laval Group. He was formerly group managing director of Royal Dutch Shell and CEO of its global oil products business. Following his retirement from Shell in 2003 he was chairman of Rio Tinto from 2003 to 2009. He has also recently served as chair of the Commonwealth Business Council, as a member of the Defence Board of the Ministry Of Defence and as a board member of the INSEAD business school.

Oliver Henry James Stocken, 68

Oliver was appointed to the Board on 1 June 2004. Oliver is chairman of Home Retail Group plc, Oval Limited and Stanhope Group Holdings Limited. He is also Chairman of the MCC, trustee director of the Cricket Foundation and Chairman of the trustees of the Natural History Museum. Previously he was deputy chairman of 3i Group plc and finance director of Barclays PLC.

Borrowing Powers of the Board

Subject to the Company's Articles, the UK Companies Act and any directions given by the Company by special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

Details of Appointment of the Directors

Name	*Contract/Appointment Letter/Resolution*	*Term*
J W Peace	Contract of Employment, 2 July 2009	12 months' rolling notice Initial three-year term
P A Sands	Contract of Employment, 31 December 2003	12 months' rolling notice
J S Bindra	Contract of Employment, 1 January 2010	12 months' rolling notice
S P Bertamini	Contract of Employment, 22 April 2008	12 months' rolling notice
R H Meddings	Contract of Employment, 12 December 2003	12 months' rolling notice
A M G Rees	Contract of Employment, 4 August 2009	12 months' rolling notice

The non-executive Directors of the Company are appointed for an initial three-year term.

Corporate Governance

The provisions of the IDR Listing Agreements with respect to corporate governance and the SEBI Regulations in respect of corporate governance will be applicable to the Company immediately upon the listing of the IDRs on the Stock Exchanges and the Company shall comply with the same. The Company undertakes to adopt the corporate governance code as per Clause 27 of the IDR Listing Agreement. Pursuant to Clause 27 of the IDR Listing Agreement, the Company shall comply with the corporate governance norms applicable in its home country and other jurisdictions in which its equity shares are listed.

In relation to the Shares, the Company has established a process for handling issues and queries raised by investors through its registrars, to whom many issues and queries tend to be addressed. The process includes a requirement for correspondence from investors to be dealt with within a five day period and for a monthly management report to be sent to the Company summarising how, and the time frame within which, such correspondence has been dealt with. Any correspondence from investors received by the Company is also handled within a five day period. There is no requirement under applicable law or regulations for the Company to make public investor grievances or to include information about such grievances in any document. As at 5 May 2010 the Company had no outstanding complaints from shareholders.

The Company is not, under UK law or regulation, required to have a formal Shareholder/Investor Grievance Committee as typically set up by Indian companies. Instead, shareholders of the Company 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.

In relation to the IDRs, in the IDR Listing Agreement, the Company has agreed that the competent courts, tribunals and regulatory authorities in India shall have jurisdiction in the event of any dispute, either with the stock exchange or any investor, concerning the IDRs offered and subscribed or bought in India. Further, in the IDR Listing Agreement, the Company has agreed that it shall ensure the protection of the interests of IDR Holders particularly with respect to all corporate benefits permissible under Indian laws and the laws of its home country and disclosures made by it in this Red Herring Prospectus and it has agreed to address all investor grievances adequately. Further details of the mechanisms established by the Company for this purpose are set out on page 37 ("*Mechanism for Redress of Investor Grievances*" and the "*Grievance Register*").

The Board consists of a total of 16 Directors and the Company has the following corporate governance related committees:

Board Committees

In 2009, the Board had four existing Board Committees: the Audit and Risk Committee; the Nomination Committee; the Remuneration Committee and the Sustainability and Responsibility Committee. Each Board Committee was responsible for the review and oversight of the activities within its defined terms of reference. Although the Company believes that its Board is highly effective, as a result of its internal governance review the Company re-configured its Board Committees with effect from 4 March 2010. The Company believes that this change will further enhance the Board's performance and allow more time to be spent on strategic issues. This also demonstrates the Company's proactive approach to corporate governance with:

- the separation of the Audit and Risk Committee into two committees, one covering financial, internal controls and compliance (the Audit Committee) and the other covering risk issues (the Risk Committee);
- an enhanced remit and new name for the Sustainability and Responsibility Committee (to be called Brand and Values Committee); and
- the formation of a Governance Committee.

Summaries of each Board Committee's terms of reference are outlined below.

Audit Committee

Members:

- R H P Markham (Chairman)
- R Delbridge
- J F T Dundas
- R Markland
- J G H Paynter

Terms of reference/scope of the Audit Committee:

All the members of the Audit Committee are independent non-executive Directors. The Board considers that each member brings a broad experience and knowledge of financial reporting to the Audit Committee's deliberations. The Board is satisfied that the Audit Committee's chairman has recent and relevant financial experience.

The Audit Committee reviews, on behalf of the Board, the company's internal financial controls to identify, assess, manage and monitor financial risks.

At least once a year, the Audit Committee meets separately with each of the external auditor and 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.

The Audit Committee's responsibilities include:

- to review and monitor the integrity of statutory accounts, published financial statements and circulars to shareholders of the Group and any formal announcements relating to the Group's financial performance, including significant financial reporting judgements contained in them; and
- to keep under review the appropriateness of the accounting policies of the Group and to consider changes to these; and
- to review the Group's internal financial controls and to review the Group's internal control systems and report to the Board.

In relation to the Group's internal audit function, the Audit Committee's responsibilities include:

- monitoring and assessing the role and effectiveness of the Group's internal audit function and receiving reports from the Group Head of Internal Audit on these matters; and
- considering the appointment, resignation or dismissal of the Group Head of Internal Audit.

In relation to the Group's external auditor, the Audit Committee's responsibilities include:

- to consider and make recommendations to the Board on their appointment, re-appointment, resignation or removal which will be put to shareholders for approval in general meeting;
- approving the terms of engagement, nature and scope of their audit and the effectiveness of the audit process;
- to review the independence and objectivity of the external auditors and to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;

- to review the findings of their audit including any major issues that arose during the course of the audit that have subsequently been resolved and any unresolved audit issues. To consider key accounting and audit judgements, the level of errors identified during the audit, obtain explanations from management and, where necessary, the external auditors as to why audit differences remain unadjusted; and
- to review and monitor the cost effectiveness of the audit taking into consideration relevant UK professional and regulatory requirements and to approve the audit fee.

The Audit Committee reports to the Board on its consideration of its responsibilities, identifying those areas where action or improvement is needed, and making recommendations as appropriate.

Arrangements are in place by which the Company's employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas. These arrangements are covered in the Company's 'Speaking Up' policy. The Audit Committee is responsible for reviewing these arrangements and for ensuring that any matters of concern are investigated appropriately.

Risk Committee

Members:

- J F T Dundas (Chairman)
- R Delbridge
- R H P Markham
- R Markland
- P D Skinner
- O H J Stocken

Terms of reference/scope of the Risk Committee:

The Risk Committee exercises oversight on behalf of the Board of the key risks faced by the Group and shall make recommendations to the Board on the Group's overall risk appetite.

At least once a year, the Risk Committee meets separately with the Group Chief Risk Officer without management being present.

In relation to the Group's risk appetite, the Risk Committee's responsibilities include:

- review reports and recommendations regarding the Group's overall risk appetite, and make recommendations thereon to the Board for its approval;
- consider reports on the current and prospective macro-economic and financial environment including stability assessments from authoritative sources and take these into account when assessing risk appetite; and
- monitor the Group's risk profile and its consistency with risk appetite.

In relation to the appropriateness and effectiveness of the Group's risk management systems and controls, the Risk Committee's responsibilities include:

- review the overall risk management framework ('RMF'), including the principles by which risk is managed;
- consider and keep under review the Group's capability for identifying and managing new risk types or risk correlations which may not be covered by existing RMF arrangements at any given time;
- review reports on the Group's management of risk, including on adherence to Group policies and standards and the maintenance of a supportive culture; and
- review issues arising from Internal Audit that in the view of the Group Head of Internal Audit are to material to the Committee's deliberations.

The Risk Committee will consider the implications of changes proposed to regulations and legislation that are material to the Group's risk appetite, risk exposure and management of risk

The Risk Committee reports to the Board on its consideration of its responsibilities, identifying those areas where action or improvement is needed, and making recommendations as appropriate.

Nomination Committee

Members:

- J W Peace (Chairman)
- J F T Dundas
- R H P Markham
- R Markland
- P D Skinner

The Nomination Committee's responsibilities include:

- regularly review the structure, size and composition (including the skills, knowledge, experience and compliance with corporate governance best practice) of the Board and make recommendations with regard to any adjustments that are deemed necessary;
- evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment; and
- keep under review the leadership needs of and succession planning for the Group in relation to both Directors and other senior executives with a view to ensure the continued ability to compete effectively in the marketplace and make consequential recommendations to the Board.

The Nomination Committee is also responsible for making recommendations to the Board for the appointment of the Group Chairman, Group Chief Executive or any other Director. The Group Chairman will not chair any meeting at which the Nomination Committee is considering the appointment of a successor to the Group Chairman.

Remuneration Committee

Members:

- R Markland (Chairman)
- J W Peace
- V F Gooding CBE
- J G H Paynter
- P D Skinner

The Remuneration Committee determines the pay and benefits of the Group Chairman, the Group Chief Executive and all other executive Directors. It also reviews and approves the remuneration of certain other highly paid senior management. The remuneration of all Directors and senior management is subject to regular monitoring to ensure that levels of remuneration and compensation are appropriate.

The Remuneration Committee's responsibilities include:

- to determine and agree with the Board the framework and broad policy for the remuneration of the Group's Chairman, Group Chief Executive, the executive Directors and such other senior executives as it is designated to consider;
- to approve any proposal to award a remuneration package to any new recruit to the Group's staff in excess of an amount to be specified by the Remuneration Committee from time to time;
- to approve any proposal for individual bonus awards to a member of the Group's staff in excess of an amount to be specified by the Remuneration Committee from time to time;
- to review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive Directors and other senior executives, the performance targets to be used and whether any awards formally vest. In addition, ensure that all share plans operate within the relevant dilution limits stated in any plan rules;
- to determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives.

Brand and Values Committee

Members:

- P D Skinner (Chairman)
- J F T Dundas
- V F Gooding CBE
- Dr Han Seung-soo KBE
- J W Peace
- P A Sands

The Brand and Values Committee oversees the brand, values and good reputation of the Group, ensuring that reputational risk is consistent with the risk appetite approved by the Board and the creation of long term shareholder value. In particular, the Brand and Values Committee's role covers: brand positioning, culture and values, reputational risk management and all aspects falling within the Group's sustainability agenda. This includes the Group's social, economic and environmental contribution. The Brand and Values Committee also ensures the Group appropriately manages its delivery of the Company's brand and values' commitments, including the Company's client/customer focus, to employees, external stakeholders and society at large.

The Brand and Values Committee's responsibilities include:

- to oversee and review the positioning of the Group's brand ensuring that there is a clear strategy being delivered which increases the value of the brand and the Group's standing, reputation and legitimacy in the eyes of all stakeholders;
- to review the processes by which the Group identifies and manages reputational risk in an effective and transparent manner, consistent with the Board approved Group Risk Appetite Statement;
- to oversee the implementation of Standard Chartered Bank's client/customer focus, including the FSA's "Treating Customers Fairly" requirements; and
- to review the Group's sustainable business priorities assuring the Group has policies in place to respond to the issues arising from external trends in (i) environment and climate change; (ii) social contribution; and (iii) governance..

The Brand and Values Committee is responsible for ensuring an effective mechanism to update the Board on key issues discussed after each Committee meeting and provide assurance that the key areas of responsibility within the Brand and Values Committee's purpose are being managed appropriately by the Group.

Governance Committee

Members:

- J W Peace (Chairman)
- R H P Markham
- P A Sands

The Governance Committee is responsible for maintaining oversight of existing and emerging corporate governance principles, practices and processes with a view to maintaining a culture within the Company and its subsidiaries whereby high standards of corporate governance are embraced holistically.

The Governance Committee's responsibilities include:

- to oversee all material corporate governance issues affecting the Group and make recommendations to the Board;
- to monitor developments and emerging best practices in corporate governance making recommendations to the Board as appropriate;
- to oversee the process for ensuring that Directors have individualised induction programmes and ongoing development programmes designed to maximise their effectiveness;
- to oversee the process by which the Board, each Committee and individual Directors assess their effectiveness (including the use of an external facilitator periodically) and report to the Board on the findings and recommendations; and

- to have oversight of the Group's approach to governance of its subsidiaries.

Directors' interests in ordinary shares 2009

The following table shows the interests of the Directors in the Shares as at 31 December 2009:

Director	*At 1 January 2009 Total interests**	*Personal interests*	*Family interests*	*At 31 Dec 2009 Total interests***
J W Peace	6,648	6,648	—	6,648
P A Sands	108,237	321,532	—	321,532
S P Bertamini	40,659	41,133	—	41,133
G R Bullock[(d)]	180,471	120,000	—	120,000
J F T Dundas	2,792	2,792	—	2,792
V F Gooding	2,753	2,804	—	2,804
R H P Markham	3,312	3,462	—	3,462
R Markland	2,997	3,135	—	3,135
R H Meddings	208,030	183,611	—	183,611
J G H Paynter	2,659	5,000	—	5,000
A M G Rees[(a)]	286,781	160,297	—	160,297
P D Skinner	5,328	8,565	—	8,565
O H J Stocken	14,221	15,820	—	15,820
S B Mittal[(b)]	2,000	2,000	—	2,000
Lord Davies[(c)]	33,184	2,659	30,525	33,184

* Or at date of appointment to the Board, if later.
** Or date of resignation from the Board, if earlier.

Notes

- The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares.
- No director had an interest in the Company's preference shares or loan stock, nor the shares or loan stocks of any subsidiary or associated undertaking of the Group.
- No director had any corporate interests in the Company's ordinary shares.
- In accordance with the UK regulatory requirements the Company is obliged to announce any changes in relation to directors shareholdings. Since 31 December 2009 it has been announced that Peter Sands' shareholding is 241,532 Shares, Richard Meddings' shareholding is 120,000 Shares, Mike Rees' shareholding is 120,297 Shares, Oliver Stocken's shareholding is 15,896 Shares, and Paul Skinner's shareholding is 9,415 Shares.
- Since 31 December 2009 it has been announced that Jaspal Bindra's shareholding is 130,279 Shares, Dr Han Seung-soo's shareholding is 2,000 Shares, and Richard Delbridge's shareholding is 2,495 Shares.

(a) Mike Rees was appointed to the Board on 4 August 2009.
(b) Sunil Mittal stepped down from the Board on 31 July 2009.
(c) Lord Davies resigned from the Board with effect from 14 January 2009.
(d) Gareth Bullock stepped down from the Board on 30 April 2010.

Directors' interests in ordinary shares 2008

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.

Directors' interests in ordinary shares 2007

Directors	*At 1 January 2007* Total interests*	*Personal interests*	*Family interests*	*At 31 December 2007** Total interests*
E M Davies	200,419	4,957	20,000	24,957
J W Peace	5,000	5,000	—	5,000
P A Sands	30,641	50,670	—	50,670
G R Bullock	88,161	88,837	—	88,837
Sir CK Chow	15,664	15,664	—	15,664
M B DeNoma	159,715	139,715	—	139,715
J F T Dundas	2,100	2,100	—	2,100
V F Gooding	2,049	2,045	—	2,045
RHP Markham	2,364	2,425	—	2,425
R Markland	2,139	2,194	—	2,194
R H Meddings	111,291	152,312	—	152,312
S B Mittal	2,000	2,000	—	2,000
P D Skinner	3,206	3,289	—	3,289
O H J Stocken	10,000	10,000	—	10,000
Lord Turner	2,016	5,092	—	5,092
K S Nargolwala	147,340	284,438	—	284,438

* Or at date of appointment to the board, if later.

** Or date of resignation from the board, if earlier.

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.

Interests of Directors

Except as stated in "*Related Party Transactions*" on page 601 of the section titled "*Audited Historical Financial Statements*" and to the extent of their shareholding in the Company, the Directors and Key Managerial Personnel do not have any other interest in the Company's business other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Shares held by them in the Company, if any, and options granted to them under the 1994 and/or 2000 ESOS.

Changes in the Board of Directors in the last three years

The following changes have occurred in the Board of Directors of the Company in the last three years:

Name of Director	*Date of Appointment /Re-appointment*	*Date of cessation*	*Reason*
S J Lowth	1 May 2010	—	Appointed
Dr Han Seung-soo KBE	1 January 2010	—	Appointed
R Delbridge	1 January 2010	—	Appointed
J S Bindra	1 January 2010	—	Appointed
A M G Rees	4 August 2009	—	Appointed
S B Mittal	1 August 2007	31 July 2009	Ceased
Lord Davies	16 December 1997	14 January 2009	Ceased
J G H Paynter	1 October 2008	—	Appointed
S P Bertamini	1 June 2008	—	Appointed
M B DeNoma	12 May 2000	1 June 2008	Ceased
Sir C K Chow	24 February 1997	7 May 2008	Retired
K S Nargolwala	7 May 1999	6 September 2007	Retired
G R Bullock	6 August 2007	31 March 2010	Retired
J W Peace	1 August 2007	—	Appointed
Lord Turner	1 August 2006	19 September 2008	Ceased

Key Managerial Personnel

All the key managerial personnel mentioned below are permanent employees of the Company. The address of each of the key managerial personnel mentioned below is the Company's principal place of business in the UK at 1 Basinghall Avenue, London EC2V 5DD.

Standard Chartered Bank

The Directors of SCB comprise the Group Executive Directors of Standard Chartered and the following senior executives:

Tim Miller, 52

Tim joined Standard Chartered in 2000. He is Director, Property, Research and Assurance and has responsibility for corporate real estate, compliance and regulatory risk, legal, global research. He also has functional responsibility for internal audit and the corporate secretariat. He was previously Group Head of Human Resources. He is Chairman of Standard Chartered First Bank Korea Limited and Standard Chartered Korea Limited. He is also a non-executive director of Michael Page International plc, Vice President, Organisation and Resourcing at the Chartered Institute of Personnel and Development and Chairman of the Governing Board of the School of Oriental and African Studies.

V Shankar, 52

Shankar joined Standard Chartered in 2001. On 1 May 2010 Shankar was appointed CEO, the Middle East, Africa, the Americas and Europe, and became a Director of Standard Chartered Bank. Shankar is Executive Chairman of Principal Finance and Chairman of The Standard Chartered Private Bank. He has previously held the position of Group Head of Origination and Client Coverage and Group Head, Corporate Finance. He is a member of the board of the Inland Revenue Authority of Singapore and a member of the Economic Strategies Committee, National Integration Council and on the board of trustees of Sinda, Singapore.

Group Management Committee

The GMC as at 31 December 2009 comprises the directors of SCB and the following senior executives:

Tracy Clarke, 43

Tracy joined Standard Chartered in 1985. She is Group Head of Human Resources and Communications. 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.

Richard Goulding, 51

Richard joined Standard Chartered in 2002. Richard 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 Financial Services and before that was a member of the global executive board of UBS investment banking division.

Jan Verplancke, 46

Jan 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. He is non-executive director of Scope International Private Limited and Standard Chartered Bank (China) Limited and is a non-executive director of Monitise Plc. Prior to joining the Group he was Chief Information Officer – EMEA at Dell.

Payment or Benefit to officers of the Company

The following description of the Directors' remuneration is derived from the Director's Remuneration Report in the 2009 Annual Accounts.

Reward Policy

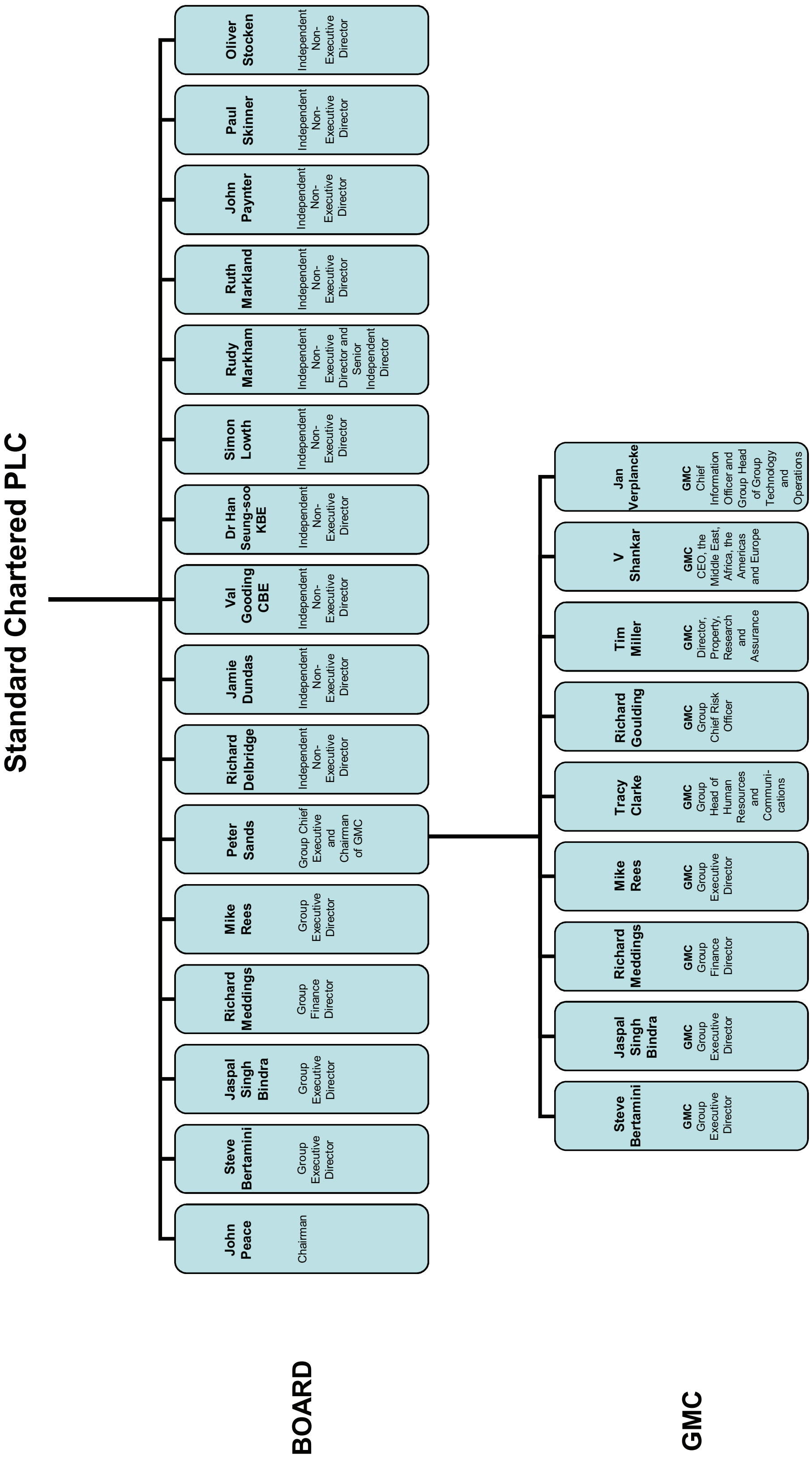
Standard Chartered's success depends upon the performance and commitment of talented employees. The Company's reward programmes support and drive the Company's business strategy and reinforce its values in the context of a clearly articulated risk appetite and effective risk management. The reward policy is designed to:

- 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, Standard Chartered as a whole and shareholders' interests; and
- maintain competitive reward that reflects the international nature and enables the Company to attract and retain talented executives. Many of the Company's employees bring international experience and expertise, and the Company recruits from a global marketplace.

The Remuneration Committee reviews the reward policy on a regular basis against significant regulatory developments, market practice and shareholder expectations.

Target remuneration levels for the Group Executive Directors are set with reference to the market, individual experience levels and internal affordability. The annual performance award targets are now set as defined dollar amounts. This breaks the link to salary and provides the Committee with increased flexibility to deliver an appropriate balance between fixed and variable compensation. The Committee aims to ensure that the balance of target remuneration places greatest weighting on performance-related elements. The market information draws on the Company's international banking peers and the FTSE 30. These two groupings have business characteristics, such as international scope of operations, complexity and size, which are similar to the Company's, and represents organisations that it competes alongside for talent.

Management Structure



The Board is ultimately accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively. It provides leadership through oversight, review and providing guidance whilst setting the strategic direction. It is also the primary decision-making body for all matters considered as material to Standard Chartered.

The Board aim for the highest standards of corporate governance, and in pursuit of this objective, follow an 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, save one exception: under the Code, all non-executive directors are formally required to meet major shareholders as part of their induction programmes. However, Rudy Markham, the Company's Senior Independent Director, met with a number of institutional investors and John Peace, the Company's Chairman, had regular meetings with institutional shareholders. The Company's Board received regular updates on the views of the Company's institutional shareholders and stakeholders including a presentation from one institutional shareholder on its view of the company as an investment. The Company's Board openly seek the views of the Company's shareholders and during 2009, the Chairman, Group Chief Executive and Group Finance Director met 23 out of the Company's top 25 investors. As part of the Company's regulatory obligations, it has in place a code of conduct related to securities transactions by directors the terms of which are no less exacting than required by Appendix 10 of the Hong Kong Listing Rules; the Company can confirm that the directors were in compliance.

The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. These matters include determining and reviewing the strategy of the Company and the Group, overseeing the Group's compliance with statutory and regulatory obligations and issues relating to the Company's and the Group's capital.

It is also responsible for the Group's structure and areas of operation, financial reporting, ensuring there is a sound system of internal control and risk management, and appointments to the Board. The Group has a policy on delegated authority which sets out how executive authority is delegated from the Board to the CEO and on to the executive Directors and other senior management. In addition, specific responsibilities have been delegated to Board Committees which have adopted terms of reference that govern their authority which can be found on the Company's website at www.standardchartered.com.

Remuneration Structure

Base Salaries and Benefits

Salary levels for executive Directors are reviewed annually by the Remuneration Committee, taking account of the latest available market data.

Annual Performance Award

Objective

- To focus participants on the achievement of annual objectives, which align the short-term performance of the Group with the sustainable creation of shareholder value;
- To provide a portion of total reward which is performance related; and
- To ensure that the proportion of variable compensation (which might be delivered through a cash award and deferred shares) increases with seniority.

Delivery and Details

- Awards are in two components: cash and deferred shares. Awards in excess of $50,000 have a proportion deferred into shares;
- The greater the amount of the annual performance award, the greater the level of deferral;
- Deferred shares vest in equal tranches after one, two and three years;
- Deferral levels are reviewed annually taking account of the latest regulatory and market practice. In 2009 The Group strengthened the deferral framework with new higher percentages of deferral to a maximum marginal rate of 65%; and
- The unvested deferred element is normally forfeited in the event of a voluntary resignation or termination for cause. Deferred awards are subject to clawback in exceptional circumstances, such as a material re-statement of Group financials or where, as a result of an appropriate

accountability review, an individual has been deemed to have caused in full or in part a material loss for the Group, as a result of i. reckless, negligent or wilful actions or ii. inappropriate values or behaviour.

Long-Term Incentives

Standard Chartered operates a share incentive programme designed to provide competitive long-term incentives. Details of the employee share schemes (including the executive schemes) are contained on pages 331 to 344 of this Red Herring Prospectus.

Retirement Benefits

Retirement benefits are provided through a combination of approved and/or unapproved defined benefit and cash structures depending upon when an executive director joined Standard Chartered 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. Base salary is the only element of remuneration which is pensionable.

Service Agreements

All executive Directors have contracts subject to 12 months' rolling notice. The contracts contain payment in lieu of notice (PILON) provisions which can be exercised at the Group's discretion. The PILON comprises an amount equal to 12 months' base salary, pension contributions/entitlement and certain benefits and allowances (such as life assurance and car allowance). Annual performance awards payable as part of a PILON are determined by the Remuneration Committee, after taking into consideration the performance of both the individual and Standard Chartered. Payments under PILON are made in quarterly instalments and are subject to mitigation.

Special provisions apply in the event where the Company terminates the executive director's contract in the 12 months following a change of control without giving notice. Unless the executive director has been summarily dismissed or is serving out their notice an amount equal to 12 months' base salary, annual performance award, pension contributions/entitlement and certain benefits and allowances will be paid in four equal instalments. The annual performance award payable in respect of the 12 months following the date of termination is equivalent to the executive director's target performance award. The annual performance award payable in respect of the performance period prior to termination is decided by the Committee, taking into account both the performance of the individual and Standard Chartered. A pro rata target performance award is payable if this period is less than six months.

Audited information

Remuneration of Group Chairman 2009

	2009(4)				*2008*		
Chairman	*Cash fee US$'000*	*Shares based fee US$'000*	*Benefits US$'000*	*Total US$'000*	*Fees US$'000*	*Benefits US$'000*	*Total US$'000*
J W Peace(1), (2), (3)	988	781	2	1,771	276	–	276

Notes

(1) The above cash fee includes pro rating of the annual fee of US$1,014,839 which was payable to John when he was Acting Chairman between 15 January 2009 and 30 June 2009.

(2) Following his appointment as Chairman, John now receives part of his annual fee in restricted shares. Accordingly he was granted an initial award over 41,528 shares in the Company on 28 September 2009.

(3) John was a member of the Audit and Risk Committee until 2 July 2009, and remains a member of the Nomination Committee and Remuneration Committee.

(4) Payment to a former director – Lord Davies resigned as an employee and stepped down from the Board, Nomination Committee and Sustainability and Responsibility Committee on 14 January 2009. He received emoluments in 2009 of US$38,000 (2008: US$1,195,000) in respect of this base fee and US$7,000 (2008: US$41,000) in respect of core benefits.

Remuneration of non-executive directors 2009

	2009			2008		
Non-Executive Directors	*Fees US$'000*	*Benefits US$'000*	*Total US$'000*	*Fees US$'000*	*Benefits US$'000*	*Total US$'000*
J F T Dundas(1), (2), (4)	204	–	204	214	–	214
V F Gooding(3), (4)	173	–	173	180	–	180
R H P Markham(1), (2), (5)	292	–	292	263	–	263
R Markland(1), (2), (3)	255	–	255	270	–	270
J G H Paynter(1)	177	–	177	44	–	44
P D Skinner(3)	161	–	161	168	–	168
O H J Stocken(3), (4)	173	–	173	180	–	180
S B Mittal(6)	68	–	68	133	–	133
Total	1,503	–	1,503	1,452	–	1,452

Notes
(1) Member of the Audit and Risk Committee.
(2) Member of the Nomination Committee.
(3) Member of the Remuneration Committee.
(4) Member of the Sustainability and Responsibility Committee.
(5) Senior Independent Director.
(6) Sunil Mittal stepped down from the Board on 31 July 2009.

General notes
(a) Any base salary/fee or benefit item in the table above has been converted using the average foreign exchange rates throughout the relevant financial year. The rates are £1: US$1.5613 (2009) and £1: US$1.8377 (2008).

Remuneration of executive directors 2009

	2009							
	Fixed (US$'000)		*Total Variable Compensation (US$'000)*					
			Annual Performance Award					
Directors	*Salary/ fees*	*Benefits(1)*	*Cash bonus(2)*	*Deferred Shares(3)*	*Voluntary Deferred Shares*	*Sub Total*	*PSP(4)*	*Total*
P A Sands	1,444	97	–	2,240	960	3,200	2,179	6,920
S P Bertamini(6)	1,113	772	–	980	420	1,400	1,173	4,458
G R Bullock(8)	781	65	420	980	–	1,400	–	2,246
R H Meddings	1,054	69	–	1,540	660	2,200	1,341	4,664
A M G Rees(7)	625	37	–	7,700	3,300	11,000	1,609	13,271
Total	5,017	1,040	420	13,440	5,340	19,200	6,302	31,559

	2008								
	Fixed (US$'000)		*Total Variable Compensation (US$'000)*						
			Annual Performance Award						
Directors	*Salary/ fees*	*Benefits*	*Cash bonus*	*Deferred Shares*	*Voluntary Deferred Shares*	*Sub Total*	*PSP*	*Total*
P A Sands	1,516	97	1,051	878	697	2,626	1,799	6,038
S P Bertamini[(5), (6)]	701	467	563	1,746	266	2,575	1,270	5,013
G R Bullock	907	76	189	327	279	795	740	2,518
R H Meddings	1,096	68	913	558	355	1,826	1,112	4,102
A M G Rees[(7)]	643	38	4,383	3,911	472	8,766	623	10,070
Total	4,863	746	7,099	7,420	2,069	16,588	5,544	27,741

Notes

(1) The benefits column includes amounts relating to car allowances and medical and life assurance benefits. Steve Bertamini carries out his duties overseas and his remuneration was adjusted to take local living costs into account. This adjustment was to put Steve in a position, after taxation differentials, where he would be no worse off as a result of carrying out his duties overseas. The benefits column for Steve also includes additional benefits, such as allowances for working overseas, the provision of accommodation or education of children. The 2008 benefits column has been restated to include life assurance benefit as follows: Peter Sands US$32,057 (2009: US$30,692), Steve Bertamini US$5,252 (2009: US$3,737), Gareth Bullock US$22,716 (2009: US$18,453), Richard Meddings US$24,912 (2009: US$25,624), and Mike Rees US$3,717 (2009: US$5,416).

(2) The cash element of the annual performance award is shown net of any amounts waived to provide additional pension benefits. Gareth Bullock waived US$415,000 of his 2008 performance award into his pension arrangement. This was disclosed in the 2008 annual report and accounts.

(3) The amounts shown in the deferred shares column include the proportion of the annual performance award deferred into restricted shares and/or the deferred bonus plan for each executive director. In 2009, the Committee determined that a portion of each executive director s performance awards, above and beyond any deferral threshold specified under the Financial Services Authority code on remuneration should be deferred into restricted shares vesting over a three year period. This resulted in a minimum of 70% of any performance award being delivered in restricted shares. In addition, certain executive directors elected to voluntarily waive additional amounts into the deferred bonus plan in both 2008 and 2009, as shown in the voluntary deferred shares columns.

(4) The expected value of any performance share awards granted in March 2010 in respect of the 2009 financial year. The values are based on an initial value adjusted for factors such as performance conditions, forfeiture risk and lack of dividends.

(5) Steve Bertamini received a total 2008 discretionary annual performance award of US$1,125,000 of which US$296,250 and US$266,000 is deferred into restricted shares under the 2006 RSS and the DBP respectively. In addition, in recognition of the substantial elements of deferred compensation and share awards which he forfeited on leaving his previous employer, he was also awarded, as part of his joining arrangements, a one-off award of deferred shares of US$1,449,300 (£1,000,000) granted in March 2009. This will vest in March 2010. No guarantee was made to Steve in the respect of the 2009 performance and financial year.

(6) Steve Bertamini received cash allowances of US$315,000 (2008: US$140,905) in lieu of his participation in any pension plan and this is reflected in the table above, as part of salary/fees.

(7) Mike Rees was appointed to the Board on 4 August 2009. His 2008 compensation has been provided for comparison purposes.

(8) Gareth Bullock stepped down from the Board on 30 April 2010.

General notes

(a) Any base salary/fee or benefit item in the table above has been converted using the average foreign exchanges rates throughout the relevant financial year. The rates are £1: US$1.5613 (2009) and £1: US$1.8377 (2008).

(b) Any performance award (both cash and deferred elements) are determined in US dollars and shown as such in the table. The proposed PSP awards in respect of the 2009 performance year are determined in pounds sterling, but for the purposes of the table converted into US dollars using the exchange rate at the time of award £1:US$1.5593 (2009: £1:US$1.4493).

Remuneration of directors 2008/2007

	2008						2007						
	Fixed		*Variable*										
Directors	*Salary/ fees US$000*	*Benefits[a] US$000*	*Cash bonus[b] US$000*	*Deferred shares[c] US$000*	*PSP[d] US$000*	*Total US$000*	*Salary/ fees US$000*	*Benefits[a] US$000*	*Cash bonus[b] US$000*	*Deferred bonus[c] US$000*	*Total US$000*	*PSP[d] US$000*	*Total including PSP US$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][q]	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 US$461,878 (2007: n/a) and US$2,883,919 (2007: US$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 US$381,481.

(b) The cash bonus amounts shown are net of any amounts waived to provide additional pension benefits.

(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 US$697,000, Mr Bertamini US$266,000, Mr Bullock US$279,500 and Mr Meddings US$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 US$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 US$1,125,000 of which US$296,250 and US$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 US$1,449,300 (£1,000,000). This will vest in February 2010.

(h) Mr Bertamini and Mr DeNoma received cash allowances of US$140,905 (2007: n/a) and US$273,053 (2007: US$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.

(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. In 2007 he received an all-inclusive fee for his Hong Kong and Standard Chartered PLC Board duties of HK$2,100,000.

(o) Lord Turner stepped down from the board on 19 September 2008.

(p) Mr Peace received an all-inclusive fee of US$275,655 (£150,000) as deputy chairman. In 2007 he received an all-inclusive fee of US$300,810 for his membership of the Audit and Risk Committee and to the Board as Deputy Chairman and Senior Independent Director.

(q) Mr Markham was appointed Senior Independent Director on 1 January 2007 and stepped down from this role on 1 August 2007, following the appointment of Mr Peace. An additional fee of US$23,396 (based on an annualised equivalent fee of £20,000) was payable to Mr Markham during this period to reflect the further workload that was associated specifically with this role. This figure is reflected in the table above.

General notes

Any base salary/fee or benefit item in the table above has been converted using the average rates throughout the relevant financial year of £1:US$1.8377 (2008) and £1:US$2.0054 (2007). 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:US$1.4993). 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.

Mr Nargolwala resigned from the Board on 6 September 2007. However, he continued to be an employee of the Group until 31 December 2007. His base salary and other contractual benefits continued to be paid until 31 December 2007 in line with his contract of employment. Mr Nargolwala remuneration for 2007 was US$1,160,000 (US$496,000 in salary and US$664,000 in benefits). Mr Nargolwala carried out his duties overseas and had his remuneration adjusted to take local living costs into account. This adjustment was to put him in a position, after taxation differentials, where he was no worse off as a result of carrying out his duties overseas. The additional benefits, included such as allowances for working overseas, the provision of accommodation or education of children. For Mr Nargolwala, these allowances and benefits amounted to US$664,336 (2007).

Compensation to past director: As reported in the 2006 report and accounts, Mr B K Sanderson stepped down from the Board on 19 November 2006. However, he continued to be an employee of the Group until 31 March 2007. His base salary and other contractual benefits continued to be paid until 31 March 2007 in line with his contract of employment and totalled US$227,657 (£113,522). His contract of employment was subject to 12 months' rolling notice and contained PILON provisions. In accordance with the terms of his contract, Mr Sanderson received a PILON comprising an amount equal to 12 months' base fee and certain benefits and allowances. The PILON was paid in four quarterly instalments of £203,750 starting on 25 April 2007. Following an announcement to the London Stock Exchange on 19 October 2007, stating that Mr Sanderson had been appointed as Chairman of Northern Rock PLC, the fourth and final PILON instalment was reduced to reflect his duty to mitigate.

Remuneration of Group Chairman 2009

	2009(4)				*2008*		
Chairman	*Cash fee Rs'000*	*Shares based fee Rs.'000*	*Benefits Rs.'000*	*Total Rs.'000*	*Fees Rs.'000*	*Benefits Rs.'000*	*Total Rs.'000*
J W Peace(1), (2), (3)	46,120	36,457	93	82,670	12,884	—	12,884

Notes

(1) The above cash fee includes pro rating of the annual fee of Rs.47,372,685 which was payable to John when he was Acting Chairman between 15 January 2009 and 30 June 2009.

(2) Following his appointment as Chairman, John now receives part of his annual fee in restricted shares. Accordingly he was granted an initial award over 41,528 shares in the Company on 28 September 2009.

(3) John was a member of the Audit and Risk Committee until 2 July 2009, and remains a member of the Nomination Committee and Remuneration Committee.

(4) Payment to a former director – Lord Davies resigned as an employee and stepped down from the Board, Nomination Committee and Sustainability and Responsibility Committee on 14 January 2009. He received emoluments in 2009 of Rs.1,773,840 (2008: Rs.55,782,600) in respect of this base fee and Rs.326,760 (2008: Rs.1,913,880) in respect of core benefits.

Remuneration of non-executive directors 2009

Non-Executive Directors	*2009* Fees Rs.'000	*2009* Benefits Rs.'000	*2009* Total Rs.'000	*2008* Fees Rs.'000	*2008* Benefits Rs.'000	*2008* Total Rs.'000
J F T Dundas(1), (2), (4)	9,523	—	9,523	9,990	—	9,990
V F Gooding(3), (4)	8,076	—	8,076	8,402	—	8,402
R H P Markham(1), (2), (5)	13,631	—	13,631	12,277	—	12,277
R Markland(1), (2), (3)	11,903	—	11,903	12,604	—	12,604
J G H Paynter(1)	8,262	—	8,262	2,054	—	2,054
P D Skinner(3)	7,516	—	7,516	7,842	—	7,842
O H J Stocken(3), (4)	8,076	—	8,076	8,402	—	8,402
S B Mittal(6)	3,174	—	3,174	6,208	—	6,208
Total	70,160	—	70,160	67,779	—	67,779

Notes
(1) Member of the Audit and Risk Committee.
(2) Member of the Nomination Committee.
(3) Member of the Remuneration Committee.
(4) Member of the Sustainability and Responsibility Committee.
(5) Senior Independent Director.
(6) Sunil Mittal stepped down from the Board on 31 July 2009.

General notes
(a) Any base salary/fee or benefit item in the table above has been converted using the average foreign exchange rates throughout the relevant financial year. The rates are £1: US$1.5613 (2009) and £1: US$1.8377 (2008).

Remuneration of executive directors 2009

	2009							
	Fixed (Rs.'000)		*Total Variable Compensation (Rs.'000)*					
			Annual Performance Award					
Directors	*Salary/ fees*	*Benefits(1)*	*Cash bonus(2)*	*Deferred Shares(3)*	*Voluntary Deferred Shares*	*Sub Total*	*PSP(4)*	*Total*
P A Sands	67,406	4,528	—	104,563	44,813	149,376	101,716	323,026
S P Bertamini(6)	51,955	36,037	—	45,746	19,606	65,352	54,756	208,099
G R Bullock(8)	36,457	3,034	19,606	45,746	—	65,352	—	104,843
R H Meddings	49,201	3,221	—	71,887	30,809	102,696	62,598	217,716
A M G Rees(7)	29,175	1,727	—	359,436	154,044	513,480	75,108	619,490
Total	234,194	48,547	19,606	627,379	249,271	896,256	294,177	1,473,174

	2008								
	Fixed (Rs.'000)		*Total Variable Compensation (Rs.'000)*						
			Annual Performance Award						
Directors	*Salary/ fees*	*Benefits*	*Cash bonus*	*Deferred Shares*	*Voluntary Deferred Shares*	*Sub Total*	*PSP*	*Total*
P A Sands	70,767	4,528	49,061	40,985	32,536	122,582	83,977	281,854
S P Bertamini(5), (6)	32,723	21,800	26,281	81,503	12,417	120,201	59,284	234,007
G R Bullock	42,339	3,548	8,823	15,264	13,024	37,111	34,543	117,540
R H Meddings	51,161	3,174	42,619	26,047	16,571	85,238	51,908	191,481
A M G Rees(7)	30,015	1,774	204,598	182,565	22,033	409,197	29,082	470,068
Total	227,005	34,823	331,381	346,366	96,581	774,328	258,794	1,294,950

(1) The benefits column includes amounts relating to car allowances and medical and life assurance benefits. Steve Bertamini carries out his duties overseas and his remuneration was adjusted to take local living costs into account. This adjustment was to put Steve in a position, after taxation differentials, where he would be no worse off as a result of carrying out his duties overseas. The benefits column for Steve also includes additional benefits, such as allowances for working overseas, the provision of accommodation or education of children. The 2008 benefits column has been restated to include life assurance benefit as follows: Peter Sands Rs.1,496,421 (2009: Rs.1,432,703), Steve Bertamini Rs.245,163 (2009: Rs.174,443), Gareth Bullock Rs.1,060,383 (2009: Rs.861,386), Richard Meddings Rs.1,162,892 (2009: Rs.1,196,128), and Mike Rees Rs.173,510 (2009: Rs.252,819).

(2) The cash element of the annual performance award is shown net of any amounts waived to provide additional pension benefits. Gareth Bullock waived Rs.19,372,200 of his 2008 performance award into his pension arrangement. This was disclosed in the 2008 annual report and accounts.

(3) The amounts shown in the deferred shares column include the proportion of the annual performance award deferred into restricted shares and/or the deferred bonus plan for each executive director. In 2009, the Committee determined that a portion of each executive director s performance awards, above and beyond any deferral threshold specified under the Financial Services Authority code on remuneration should be deferred into restricted shares vesting over a three year period. This resulted in a minimum of 70% of any performance award being delivered in restricted shares. In addition, certain executive directors elected to voluntarily waive additional amounts into the deferred bonus plan in both 2008 and 2009, as shown in the voluntary deferred shares columns.

(4) The expected value of any performance share awards granted in March 2010 in respect of the 2009 financial year. The values are based on an initial value adjusted for factors such as performance conditions, forfeiture risk and lack of dividends.

(5) Steve Bertamini received a total 2008 discretionary annual performance award of Rs.52,515,000 of which Rs.13,828,950 and Rs.12,416,880 is deferred into restricted shares under the 2006 RSS and the DBP respectively. In addition, in recognition of the substantial elements of deferred compensation and share awards which he forfeited on leaving his previous employer, he was also awarded, as part of his joining arrangements, a one-off award of deferred shares of Rs.67,653,324 (£1,000,000) granted in March 2009. This will vest in March 2010. No guarantee was made to Steve in the respect of the 2009 performance and financial year.

(6) Steve Bertamini received cash allowances of Rs.14,704,200 (2008: Rs.6,577,445) in lieu of his participation in any pension plan and this is reflected in the table above, as part of salary/fees.

(7) Mike Rees was appointed to the Board on 4 August 2009. His 2008 compensation has been provided for comparison purposes.

(8) Gareth Bullock stepped down from the Board on 30 April 2010.

General notes

(a) Any base salary/fee or benefit item in the table above has been converted using the average foreign exchanges rates throughout the relevant financial year. The rates are £1: US$1.5613 (2009) and £1: US$1.8377(2008).

(b) Any performance award (both cash and deferred elements) are determined in US dollars and shown as such in the table. The proposed PSP awards in respect of the 2009 performance year are determined in pounds sterling, but for the purposes of the table converted into US dollars using the exchange rate at the time of award £1:US$1.5593 (2009 £1:US$1.4493).

Remuneration of directors 2008/2007

	2008						*2007*						
	Fixed		*Variable*										
Directors	*Salary/ fees Rs. 000*	*Benefits[(a)] Rs. 000*	*Cash bonus[(b)] Rs. 000*	*Deferred shares[(c)] Rs. 000*	*PSP[(d)] Rs. 000*	*Total Rs. 000*	*Salary/ fees Rs. 000*	*Benefits[(a)] Rs. 000*	*Cash bonus[(b)] Rs. 000*	*Deferred bonus[(c)] Rs. 000*	*Total Rs. 000*	*PSP[(d)] Rs. 000*	*Total including PSP Rs. 000*
Lord Davies[(e)]	55,783	1,914	—	—	—	57,697	60,871	980	—	—	61,851	—	61,851
Sub total	55,783	1,914	—	—	—	57,697	60,871	980	—	—	61,851	—	61,851
P A Sands[(f)]	70,767	3,034	49,061	73,521	83,977	280,360	70,207	2,941	93,593	46,820	213,561	113,059	326,620
S P Bertamini[(g)(h)]	32,723	21,566	26,281	93,920	59,284	233,774	—	—	—	—	—	—	—
G R Bullock	42,339	2,474	8,823	28,288	34,543	116,467	42,012	2,334	25,347	24,320	94,013	66,472	160,485
R H Meddings	51,161	2,007	42,619	42,619	51,908	190,314	47,754	2,147	48,360	31,836	130,097	76,882	206,979
M B DeNoma[(h)(j)]	59,470	134,625	—	—	—	194,095	56,856	57,556	51,488	25,721	191,621	58,023	249,644
Sub total	256,460	163,706	126,784	238,348	229,712	1,015,010	216,829	64,978	218,788	128,697	629,292	314,436	943,728
J W Peace[(p)]	12,884	—	—	—	—	12,884	5,835	—	—	—	5,835	—	5,835
J F T Dundas[(f)(i)(k)]	9,990	—	—	—	—	9,990	8,402	—	—	—	8,402	—	8,402
V F Gooding[(f)(l)]	8,402	—	—	—	—	8,402	7,422	—	—	—	7,422	—	7,422
R H P Markham[(i)(k)(q)]	12,277	—	—	—	—	12,277	11,670	—	—	—	11,670	—	11,670
R Markland[(i)(k)(l)]	12,604	—	—	—	—	12,604	10,456	—	—	—	10,456	—	10,456
S B Mittal	6,208	—	—	—	—	6,208	2,521	—	—	—	2,521	—	2,521
J G H Paynter[(k)(m)]	2,054	—	—	—	—	2,054	—	—	—	—	—	—	—
P D Skinner[(l)]	7,842	—	—	—	—	7,842	7,142	—	—	—	7,142	—	7,142
O H J Stocken[(f)(l)]	8,402	—	—	—	—	8,402	7,282	—	—	—	7,282	—	7,282
Sir CK Chow[(n)]	2,054	—	—	—	—	2,054	13,164	—	—	—	13,164	—	13,164
Lord Turner[(o)]	7,189	—	—	—	—	7,189	8,776	—	—	—	8,776	—	8,776
Sub total	89,906	—	—	—	—	89,906	82,670	—	—	—	82,670	—	82,670
Total	402,149	165,620	126,784	238,348	229,712	1,162,613	360,370	65,958	218,788	128,697	773,813	314,436	1,088,249

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 Rs.21,560,465 (2007: n/a) and Rs.134,621,339 (2007: Rs.57,561,108) 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 Rs.17,807,533.

(b) The cash bonus amounts shown are net of any amounts waived to provide additional pension benefits.

(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 Rs.32,535,960, Mr Bertamini Rs.12,416,880, Mr Bullock Rs.13,047,060 and Mr Meddings Rs.16,571,400.

(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 Rs.50,739,993 (£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 Rs.52,515,000 of which Rs.13,828,950 and Rs.12,416,880 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 Rs.67,653,324 (£1,000,000). This will vest in February 2010.

(h) Mr Bertamini and Mr DeNoma received cash allowances of Rs.6,577,445 (2007: n/a) and Rs.12,746,114 (2007: Rs.12,073,689) respectively in lieu of their participation in any pension plan and this is reflected in the table above, as part of salary/fees.

(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 R.s.10,550,750 per annum. In 2007 he received an all-inclusive fee for his Hong Kong and Standard Chartered PLC Board duties of R.s.12,660,900.

(o) Lord Turner stepped down from the board on 19 September 2008.

(p) Mr Peace received an all-inclusive fee of R.s.12,867,575 (£150,000) as deputy chairman. In 2007 he received an all-inclusive fee of R.s.14,041,811 for his membership of the Audit and Risk Committee and to the Board as Deputy Chairman and Senior Independent Director.

(q) Mr Markham was appointed Senior Independent Director on 1 January 2007 and stepped down from this role on 1 August 2007, following the appointment of Mr Peace. An additional fee of R.s.1,092,125 (based on an annualised equivalent fee of £20,000) was payable to Mr Markham during this period to reflect the further workload that was associated specifically with this role. This figure is reflected in the table above.

General notes

Any base salary/fee or benefit item in the table above has been converted using the average rates throughout the relevant financial year of £1:US$1.8377 (2008) and £1:US$2.0054 (2007). 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:US$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.

Mr Nargolwala resigned from the Board on 6 September 2007. However, he continued to be an employee of the Group until 31 December 2007. His base salary and other contractual benefits continued to be paid until 31 December 2007 in line with his contract of employment. Mr Nargolwala remuneration for 2007 was R.s.54,148,800 (R.s.23,153,280 in salary and R.s.30,995,520 in benefits). Mr Nargolwala carried out his duties overseas and had his remuneration adjusted to take local living costs into account. This adjustment was to put him in a position, after taxation differentials, where he was no worse off as a result of carrying out his duties overseas. The additional benefits, included such as allowances for working overseas, the provision of accommodation or education of children. For Mr Nargolwala, these allowances and benefits amounted to R.s.31,011,204 (2007).

Retirement benefits of executive directors 2009

	Accrued pension US$'000			*Transfer value of accrued pension US$'000(1), (2)*			*Increase in accrued pension (net of inflation and waiver) during 2009 US$'000(4)*		
Director	*At 1 January 2009*	*Increase during the year*	*At 31 December 2009*	*At 1 January 2009*	*Increase during the year net of waiver*	*At 31 December 2009*	*2009 waiver US$'000(3)*	*Annual pension*	*Transfer value*
P A Sands	241	79	350	3,635	1,703	5,809	—	79	1,331
G R Bullock(5)	270	31	332	4,575	1,309	6,698	—	30	608
R H Meddings	249	68	347	3,911	1,713	6,127	—	67	1,209
A M G Rees	170	40	230	2,687	973	3,999	—	39	738

Notes

(1) The accrued pension amounts include benefits arising from transfer payments received in respect of service with previous employers.

(2) The transfer values in respect of benefits under the unapproved unfunded retirement benefits scheme have been calculated using the Company's pension accounting methodology and assumptions.

(3) Executive directors are given the opportunity to waive a proportion of any potential annual performance award payable in cash and/or salary to enhance their unfunded unapproved retirement benefits. The amounts waived in respect of 2009 are shown in the table.

(4) The increase in the accrued pension (net of inflation and performance award waiver) during the year is the difference between the accrued pension at the end of 2008 increased by an allowance for inflation of 0.3% (2008: 3.0%) and the accrued pension at the end of 2009 excluding any performance award waiver.

(5) Gareth Bullock stepped down from the Board on 30 April 2010.

General notes

(a) The ages of the executive directors are shown on pages 288 to 289.

(b) In addition to the amounts identified in the table above Standard Chartered paid US$449,612 (2008: US$605,996) in retirement benefits to former directors and their dependants.

(c) The amounts included in the table above as at 1 January and 31 December 2009 are calculated using the exchange rates at the end of 2008 (£1:US$1.4493) and 2009 (£1:US$1.6142) respectively. The other entries are calculated using the exchange rates £1: US$1.5613 (2009) and £1: US$1.8377 (2008).

(d) Steve Bertamini received cash supplements and does not participate, like the other executive directors, in the defined benefit plans set out above. The cash supplement amounts are shown in the executive directors' remuneration table on page 304 of this Red Herring Prospectus.

Retirement benefits of executive directors and the former Group chairman 2008

	*Accrued pension US\$000**			*Transfer value of accrued pension US\$000** ****			*Increase in accrued pension (net of inflation and waiver) during 2008 US\$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 US\$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.

** 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% (2007: 4.3%) and the accrued pension at the end of 2008 excluding any bonus waiver in 2008.

General notes

(a) 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 US\$171,602 per annum.

(b) In addition to the amounts identified in the table above the Group paid US\$605,996 (2007: US\$367,688) in retirement benefits to former directors and their dependents.

(c) 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:US\$1.9877) and 2008 (£1:US\$1.4493) respectively. The other entries are calculated using the average rates throughout the relevant financial year of £1:US\$1.8377 (2008) and £1:US\$2.0054 (2007).

Retirement benefits of executive directors 2007

	Accrued pension US\$000(d)			*Transfer value of accrued pension US\$000*(f)(g)			*Increase in accrued pension (net of inflation and waiver) during 2007 US\$000*(i)		
Directors	*At 1 January 2007*	*Increase/ (decrease) during the year*	*At 31 December 2007*	*At 1 January 2007*	*Increase during the year net of waiver*	*At 31 December 2007*	*2007 waiver US\$000*(h)	*Annual pension*	*Transfer value*
E M Davies(c)	363	(76)	293	6,732	96	6,930	—	—	
P A Sands	144	105	251	2,814	1,717	4,558	—	99	1,930
G R Bullock(e)	181	96	278	3,517	1,147	5,284	496	58	1,153
R H Meddings	189	73	264	3,437	815	4,658	324	45	869
K S Nargolwala	227	96	326	4,829	1,023	6,539	614	54	1,093

Notes

(a) With effect from 1 January 2007, Mr Davies ceased to accrue additional pension benefits. His pension payments commenced in November 2007.

(b) Mr DeNoma only receives a cash supplement and does not participate, like the other executive directors, in the defined benefit plans set out above.

(c) Mr Bullock's retirement provision remained unchanged on his appointment to the Board.

(d) The accrued pension amounts include benefits arising from transfer payments received in respect of service with previous employers.

(e) 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.

(f) 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 2007 are shown in the table above.

(g) 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 2006 increased by an allowance for inflation of 4.3% (2006: 3.9%) and the accrued pension at the end of 2007 excluding any bonus waiver in 2007.

(h) In addition to the amounts identified in the table above the Group paid US\$367,688 (2006: US\$308,662) in retirement benefits to former directors and their dependants.

(i) The amounts included in the table above as at 1 January and 31 December 2007 are calculated using the exchange rates at the end of 2006 (£1 :US\$1.9579) and 2007 (£1:US\$1.9877) respectively. The other entries are calculated using the average rates throughout the relevant financial year of £1:US\$2.0054 (2007) and £1:US\$1.8431 (2006).

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 US$6,500,000 was allocated into an interest bearing account, and all or part of the account may be invested in alternative assets at his discretion. The original allocation (together with the accrued interest and investment returns) will vest in three tranches unless he resigns or is terminated for cause: US$3,000,000 after the second, US$2,000,000 after the fourth and US$1,500,000 after the sixth anniversary of joining. No further awards are planned.

	Grant date	*Allocation*	*Value as at 31 December 2008*	*Vested*	*Value as at 31 December 2009*	*Vesting period*
S P Bertamini	19 May 2008	US$6,500,000	US$6,606,978	—	US$7,756,150	2010-2014

Remuneration of five highest paid individuals 2009

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 our five highest paid employees. 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 2009:

Components of remuneration	*US$*
Basic salaries, allowances and benefits in kind	1,429,686
Pension contributions	839,022
Annual performance award paid or receivable*	46,166,029
Payments made on appointment	—
Compensation for loss of office	
– contractual	—
– other	—
Total**	48,434,737

* Excluding performance awards or commissions linked to profits generated by the individual or collectively with others engaged in similar activities.

** Equal to HKD375,454,300.

The emoluments were in the following bands:

HK $ (approx. US$ equivalent)	*Number of employees*
HK $60,500,001 – HK $61,000,000 (US$7,804,683 – US$7,869,184)	3
HK $96,000,001 – HK $96,500,000 (US$12,384,290 – US$12,448,791)	1
HK $97,000,001 – HK $97,500,000 (US$12,513,293 – US$12,577,794)	1

Remuneration of five highest paid individuals 2008

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	*US$*
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. US$ equivalent)	*Number of employees*
HK $41,500,001 – HK $42,000,000 (US$5,329,190 – US$5,393,397)	1
HK $42,000,001 – HK $42,500,000 (US$5,393,397 – US$5,457,604)	1
HK $45,500,001 – HK $46,000,000 (US$5,842,847 – US$5,907,054)	1
HK $47,000,001 – HK $47,500,000 (US$6,035,468 – US$6,099,675)	1
HK $182,000,001 – HK $182,500,000 (US$23,371,387 – US$23,435,594)	1

Remuneration of five highest paid individuals 2007

In addition to its responsibilities for the remuneration of executive directors, the Committee ensures that the remuneration policy of the Group is consistently applied for other senior executives. Specifically, the Committee approves any significant remuneration packages for newly appointed senior executives.

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 (four of whom are not executive directors) whose emoluments* were the highest in the year ending 31 December 2007:

Components of remuneration	*US$000*
Basic salaries, allowances and benefits in kind	4,046
Pension contributions	1,620
Bonuses paid or receivable*	27,712
Payments made on appointment	—
Compensation for loss of office	
– contractual	—
– other	—
Total**	33,378

* Excluding bonuses or commissions linked to profits generated by the individual or collectively with others engaged in similar activities.

** Equal to HK$260,420,689.

The emoluments were in the following bands:

HK$ (approx. US$ equivalent)	*Number of employees*
HK$45,500,001 – HK$46,000,000 (US$5,831,763-US$5,895,849)	1
HK$48,000,001 – HK$48,500,000 (US$6,152,190-US$6,216,275)	1
HK$54,000,001 – HK$54,500,000 (US$6,921,214-US$6,985,299)	2
HK$57,000,001 – HK$58,000,000 (US$7,305,725-US$7,433,896)	1

2004 Deferred Bonus Plan 2009

Directors	*Shares held in trust at 1 January 2009**	*Shares awarded during the period(1)*	*Shares awarded in respect of notional dividend(2)*	*Shares vested during the period(1)*	*Shares held in trust at 31 December 2009*
P A Sands	34,270	70,532	338	34,608	70,532
S P Bertamini	—	170,081	—	—	170,081
G R Bullock(4)	17,820	28,283	175	17,995	28,283
R H Meddings	23,303	35,923	229	23,532	35,923
A M G Rees	47,814	—	—	—	47,814

* Or at date of appointment to the Board, if later.

Notes

(1) Market value on date of awards/vesting (9 March 2009) was 698.50 pence.

(2) Under the 2004 DBP, shares were conditionally awarded as part of the executive 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 normally delivered in the form of shares and is released on vesting.

(3) In accordance with UK regulatory requirements the Company is obliged to announce any changes in relation to the award or exercise of Shares under the Deferred Bonus Plan by the directors. The Company made two announcements on the 9 March 2010 regarding awards and releases under the Deferred Bonus Plan, which has resulted in the Directors total Shares held in trust to be as follows: Peter Sands 63,675, Richard Meddings 43,777, Steve Bertamini 27,858, Jaspal Bindra 12,187, Gareth Bullock 12,187 and Mike Rees 218,885.

(4) Gareth Bullock stepped down from the Board on 30 April 2010.

2004 Deferred Bonus Plan 2008

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.

2004 Deferred Bonus Plan 2007

Directors	*Shares held in trust at 1 January 2007**	*Shares awarded during the period[(a)]*	*Shares awarded in respect of notional dividend[(b)]*	*Shares vested during the period[(a)]*	*Shares held in trust at 31 December 2007***
E M Davies	34,884	37,859	305	35,189	37,859
P A Sands	22,893	24,845	200	23,093	24,845
G R Bullock	14,789	—	—	—	14,789
M B DeNoma	17,442	17,746	152	17,594	17,746
R H Meddings	16,897	18,693	148	17,045	18,693
K S Nargolwala	17,442	19,360	152	17,594	19,360[(c)]

* Or at date of appointment to the Board, if later.

** Or date of resignation from the Board, if earlier.

Notes

(a) Market value on date of awards/vesting (6 March 2007) was 1404 pence.

(b) Under the 2004 Deferred Bonus Plan, shares are conditionally awarded instead of part of the director's annual cash bonus. 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 dividend accrues on the shares held in the trust. The dividend is delivered in the form of shares and is released on vesting.

(c) This award subsequently lapsed when Mr Nargolwala ceased to be employed by the Group on 31 December 2007.

Long term incentives 2009

Share options

Director	*Scheme*	*Grant date*	*As at 1 January 2009**	*Exercise price (pence)*	*Exercised*	*Lapsed*	*As at 31December 2009***	*Period of exercise*
P A Sands	ESOS	20 May 2002	234,638	754.35	234,6381[(1)]	—	—	—
	ESOS	5 March 2003	223,357	604.41	223,3571[(1)]	—	—	—
	ESOS	4 March 2004	109,908	818.86	109,9081[(1)]	—	—	—
	ESOS	9 March 2005	111,772	849.94	111,7721[(1)]	—	—	—
	Sharesave	26 September 2007	1,543	1,088.03	—	—	1,543	2012-2013
S Bertamini	Sharesave	9 October 2009	1,356	1,146	—	—	1,356	2014-2015
G R Bullock	Sharesave	29 September 2008	943	1,017.12	—	—	943	2011-2012
R H Meddings	ESOS	4 March 2004	74,798	818.86	74,7981	—	—	—
	Sharesave	8 September 2006	1,003	931.34	1,003[(2)]	—	—	—
A M G Rees	ESOS	9 March 2005	61,768	818.86	—	—	61,768	2009-2015
Lord Davies	ESOS	9 March 2005	3,662	818.86	—	—	3,662	2009-2010[(3)]

* Or at date of appointment to the Board or date of grant if later.

** Or date of resignation from the Board, if earlier.

Notes

(1) Market value on date of exercise (3 November 2009) was 1467.30 pence.

(2) Market value on date of exercise (1 December 2009) was 1523.00 pence.

(3) Lord Davies has entered into a personal arrangement with an independent trustee under which he has agreed that such awards cannot be exercised without the written authority of such trustee for the duration of any appointment that he might have in the UK government. This award was exercisable at the time Lord Davies stepped down from the Board. It will remain exercisable until 15 February 2010 at which point any unexercised award will lapse.

(4) In accordance with UK regulatory requirements the Company is obliged to announce any changes in relation to the award or exercise of share options by the directors. The Company made an announcement on the 9 March 2010 regarding the exercise of Mike Rees award under the ESOS of 61,768 Shares.

Share awards

Director	Scheme	Grant Date	*As at 1 January 2009***	*Exercised*	*Lapsed*	*As at 31 December 2009****	*Period of exercise*
J W Peace	RSS	28 September 2009[1]	41,528	—	—	41,528	2011-2018
P A Sands	PSP	09 June 2004	41,863	41,863[3]	—	—	—
	PSP	09 March 2005	111,772	111,772[4]	—	—	—
	PSP	14 March 2006	83,592	71,052[5]	12,540[7]	—	—
	PSP	11 May 2006	41,079	32,452[5]	8,627[7]	—	—
	PSP	12 March 2007	162,389	—	—	162,389	2010-2017[8]
	PSP	11 March 2008	184,774	—	—	184,774	2011-2018
	PSP	11 March 2009[2]	356,481	—	—	356,481	2012-2019
	Deferred RSS	11 March 2009[2]	84,231	—	—	84,231	2011-2016
S P Bertamini	PSP	16 September 2008	59,337	—	—	59,337	2011-2018
	PSP	11 March 2009[2]	159,033	—	—	159,033	2012-2019
	Deferred RSS	11 March 2009[2]	28,437	—	—	28,437	2011-2016
G R Bullock	PSP	14 March 2006	55,728	47,368[3]	8,360[7]	—	—
	PSP	11 May 2006	20,539	16,226[5]	4,313[7]	—	—
	PSP	12 March 2007	93,102	—	—	93,102	2010-2017[8]
	PSP	11 March 2008	108,665	—	—	108,665	2011-2018
	PSP	11 March 2009[2]	146,604	—	—	146,604	2012-2019
	Deferred RSS	11 March 2009[2]	31,292	—	—	31,292	2011-2016
R H Meddings	PSP	14 March 2006	68,466	58,196[3]	10,270[7]	—	—
	PSP	11 May 2006	25,235	19,935[5]	5,300[7]	—	—
	PSP	12 March 2007	100,385	—	—	100,385	2010-2017[8]
	PSP	11 March 2008	125,646	—	—	125,646	2011-2018
	PSP	11 March 2009[2]	220,370	—	—	220,370	2012-2019
	Deferred RSS	11 March 2009[2]	53,514	—	—	53,514	2011-2016
A M G Rees	RSS	9 March 2005	29,414	29,414[6]	—	—	—
	RSS	14 March 2006	55,728	55,728[6]	—	—	—
	RSS	12 March 2007	55,113	27,556[6]	—	27,557	2010-2017
	RSS	11 March 2008	126,701	—	—	126,701	2010-2015
	Deferred RSS	11 March 2009[2]	86,419	—	—	86,419	2011-2016
	Deferred SRSS	11 March 2009[2]	288,939	—	—	288,939	2011-2016
	PSP	9 March 2005	51,473	51,473[6]	—	—	—
	PSP	14 March 2006	55,728	47,368[6]	8,360[7]	—	—
	PSP	12 March 2007	55,113	—	—	55,113	2010-2017[8]
	PSP	11 March 2008	55,432	—	—	55,432	2011-2018
	PSP	11 March 2009[2]	123,456	—	—	123,456	2012-2019
Lord Davies	PSP	14 March 2006	127,379	108,272	19,107	—	[9, 10]
	PSP	11 May 2006	93,898	74,178	19,720	—	[9, 10]
	PSP	12 March 2007	204,708	—	—	204,708	2010[10, 11]

* Details of performance conditions for PSP awards are described on page 332 of this Red Herring Prospectus.

** Or at a date of appointment to the Board or date of grant if later.

*** Or date of resignation from the Board, if earlier.

Notes

(1) Market value on date of award (28 September 2009) was 1509.00 pence.

(2) Market value on date of award (11 March 2009) was 798.50 pence.

(3) Market value on date of exercise (16 March 2009) was 859.94 pence.

(4) Market value on date of exercise (30 June 2009) was 1152.9 pence.

(5) Market value on date of exercise (11 May 2009) was 1223.95 pence.

(6) Market value on date of exercise (6 August 2009) was 1374.84 pence.

(7) The performance conditions were partially met for those PSP awards granted in March and May 2006. Therefore the number of shares lapsed indicates the portion of the award which did not satisfy the performance conditions.

(8) The performance conditions attached to these awards have been partially met (77.48%).

(9) Lord Davies entered into a personal arrangement with an independent trustee under which he has agreed that such awards cannot be exercised without the written authority of such trustee for the duration of any appointment that he might have in the UK government.

(10) The performance conditions attached to these awards have been partially met (85% for March awards and 79% for May and September awards) and the awards can now be exercised. Market value on the dates of exercise (6 April 2009) was 1014.00 pence and (14 May 2009) 1187.00 pence.

(11) The 2010 performance conditions attached to these awards have been partially met (77.48%). The award will be exercisable from 12 March 2010 and will remain exercisable until 31 December 2010 at which point any unexercised award will lapse.

(12) In accordance with UK regulatory requirements the Company is obliged to announce any changes in relation to the award or exercise of share options by the directors. The Company made three announcements on the 12 March 2010 and one announcement on 15 March 2010 regarding awards and releases under the RSS, SRSS and PSP, which has resulted in the Directors total Shares held under option to be as follows: Peter Sands 873,253, Richard Meddings 555,339, Steve Bertamini 374,743, Jaspal Bindra 344,092, Gareth Bullock 313,510 and Mike Rees 824,493. This includes shares held under the ESOS, Sharesave, PSP, RSS, and SRSS.

Long-term incentives 2008

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 see table below.

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 pages 84 and 85 of the Annual Report 2008.

(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% for March awards and 79% 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% for March awards and 79% 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.

Long Term Incentives 2007

Share options

Director	*Scheme*	*Grant Date*	*As At 1 January 2007**	*Exercise Price (pence)*	*Exercised*	*Lapsed*	*At 31 December 2007***	*Period of exercise*
E M Davies	1994 ESOS[a]	5 September 1997	20,000	808.5	20,000[b]	—	—	—
	1994 ESOS[a]	5 August 1999	52,365	888	52,365[b]	—	—	—
	2000 ESOS	12 June 2000	117,104	871.02	117,104[b]	—	—	—
	2000 ESOS	2 April 2001	119,733	902	119,733[b]	—	—	—
	2000 ESOS	5 March 2003	347,574	690.5	347,574[b]	—	—	—
	2000 ESOS	4 March 2004	138,963	935.5	135,757[b]	—	3,206	2008-2014
	2000 ESOS	9 March 2005	154,479	971	—	—	154,479	2008-2015
	Sharesave	6 September 2002	2,957	559.5	2,957[c]	—	—	2008-2008
P A Sands	2000 ESOS	20 May 2002	208,865	861.8	3,481[d]	—	205,384	2008-2012
	2000 ESOS	5 March 2003	195,510	690.5	—	—	195,510	2008-2013
	2000 ESOS	4 March 2004	96,205	935.5	—	—	96,205	2008-2014
	2000 ESOS	9 March 2005	97,837	971	—	—	97,837	2008-2015
	Sharesave	6 September 2002	2,957	559.5	2,957[c]	—	—	—
	Sharesave	26 September 2007[f]	1,351	1243	—	—	1,351	2010-2011
G R Bullock	2000 ESOS	4 March 2004	64,136	935.5	—	—	64,136	2008-2014
	2000 ESOS	9 March 2005	50,205	971	—	—	50,205	2008-2015
	Sharesave	8 September 2003	2,472	641	—	—	2,472	2008-2009
M B DeNoma	2000 ESOS	4 March 2004	85,515	935.5	85,515[d]	—	—	—
	2000 ESOS	9 March 2005	64,109	971	—	—	64,109	2008-2015
R H Meddings	2000 ESOS	4 March 2004	65,473	935.5	—	—	65,473	2008-2014
	2000 ESOS	9 March 2005	74,794	971	—	—	74,794	2008-2015
	Sharesave	8 September 2006	878	1064	—	—	878	2009-2010
K S Nargolwala	2000 ESOS	4 March 2004	85,515	935.5	85,515[e]	—	—	—
	2000 ESOS	9 March 2005	64,109	971	—	—	64,109	2008-2015[g]

* Or at date of appointment to the Board or date of grant, if later.
** Or date of resignation from Board if earlier.

Notes
(a) This scheme is now closed. No awards have been made under this scheme since August 1999.
(b) Market value on date of exercise (4 May 2007) was 1556 pence.
(c) Market value on date of exercise (7 December 2007) was 1945 pence.
(d) Market value on date of exercise (6 March 2007) was 1404 pence.
(e) Market value on date of exercise (20 June 2007) was 1658 pence.
(f) Market value on date of grant (26 September 2007) was 1618 pence.
(g) These awards subsequently lapsed when Mr Nargolwala ceased to be employed by the Group on 31 December 2007.
(h) Market value at year end was 1844 pence and the highest and lowest values during the year were 1366 pence and 1960 pence respectively,

Share awards

Director	Scheme	Grant date	*As at 1 January 2007**	*Exercised*	*Lapsed*	*As at 31 December 2007***	*Period of exercise*
E M Davies	PSP	4 March 2004	69,481	69,481[(b)]	—	—	—
	PSP	9 June 2004	70,575	70,575[(c)]	—	—	—
	PSP	9 March 2005	154,479	—	—	154,479	2008-2015[(i)]
	PSP	14 March 2006	111,498	—	—	111,498	2009-2016
	PSP	11 May 2006	82,191	—	—	82,191	2009-2016
	PSP	12 March 2007[(f)]	179,186	—	—	179,186	2010-2017
P A Sands	RSS	20 May 2002	52,216	—	—	52,216	2008-2009[(h)]
	PSP	4 March 2004	48,102	—	—	48,102	2008-2014[(h)]
	PSP	9 June 2004	36,644	—	—	36,644	2008-2014[(h)]
	PSP	9 March 2005	97,837	—	—	97,837	2008-2015[(i)]
	PSP	14 March 2006	73,170	—	—	73,170	2009-2016
	PSP	11 May 2006	35,958	—	—	35,958	2009-2016
	PSP	12 March 2007[(f)]	142,143	—	—	142,143	2010-2017
G R Bullock	PSP	9 March 2005	58,573	—	—	58,573	2008-2015[(i)]
	PSP	14 March 2006	48,780	—	—	48,780	2009-2016
	PSP	11 May 2006	17,979	—	—	17,979	2009-2016
	PSP	12 March 2007[(f)]	81,495	—	—	81,495	2010-2017
M B DeNoma	PSP	4 March 2004	42,757	42,757[(d)]	—	—	—
	PSP	9 June 2004	21,715	21,715[(e)]	—	—	—
	PSP	9 March 2005	74,794	—	—	74,794	2008-2015[(i)]
	PSP	14 March 2006	59,930	—	—	59,930	2009-2016
	PSP	11 May 2006	22,089	—	—	22,089	2009-2016
	PSP	12 March 2007[(f)]	84,424	—	—	84,424	2010-2017
R H Meddings	PSP	4 March 2004	37,413	37,413[(e)]	—	—	—
	PSP	9 June 2004	9,500	9,500[(e)]	—	—	—
	PSP	9 March 2005	74,794	—	—	74,794	2008-2015[(i)]
	PSP	14 March 2006	59,930	—	—	59,930	2009-2016
	PSP	11 May 2006	22,089	—	—	22,089	2009-2016
	PSP	12 March 2007[(f)]	87,870	—	—	87,870	2010-2017
K S Nargolwala	PSP	5 March 2003	55,032	55,032[(d)]	—	—	—
	PSP	4 March 2004	42,757	42,757[(d)]	—	—	—
	PSP	9 June 2004	21,715	21,715[(e)]	—	—	—
	PSP	9 March 2005	74,794	—	—	74,794	2008-2015[(j)]
	PSP	14 March 2006	59,930	—	—	59,930	2009-2016[(j)]
	PSP	11 May 2006	29,452	—	—	29,452	2009-2016[(j)]
	PSP	12 March 2007[(f)]	97,605	—	—	97,605	2010-2017[(j)]

* Or at date of appointment to the Board or date of grant if later.

** Or date of resignation from the Board, if earlier.

Notes

(a) Details of performance conditions are described on pages 75 and 76 of the Annual Report 2007.

(b) Market value on date of exercise (4 May 2007) was 1556 pence.

(c) Market value on date of exercise (16 October 2007) was 1658 pence.

(d) Market value on date of exercise (6 March 2007) was 1404 pence.

(e) Market value on date of exercise (20 June 2007) was 1658 pence.

(f) Market value on date of award (12 March 2007) was 1430 pence.

(g) 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.

(h) These awards are exercisable as any associated performance and service conditions have already been met.

(i) The performance conditions attached to these awards have been met and the awards will be exercisable after meeting the service conditions on 9 March 2008.

(j) These awards subsequently lapsed when Mr Nargolwala ceased to be employed by the Group on 31 December 2007.

Interests of key managerial personnel in long-term incentive plans

The key managerial personnel also participate in the long-term incentive plans and in aggregate hold interests over 1,614,041 Shares as at 5 May 2010. Together they hold less than 1% of the current issued share capital of the Company.

CAPITALISATION STATEMENT

Capitalisation and indebtedness

The following table sets out the consolidated capitalisation of the Group as at 31 December 2009 and 31 December 2008.

	31 December 2009		*31 December 2008*	
	US$m	*Rs.m*	*US$m*	*Rs.m*
Borrowings				
Short term (with less than or up to one year residual maturity)				
Debt securities in issue	20,524	958,060	18,369	857,465
Sub debt and other borrowings	723	33,750	2,149	100,315
Total short term borrowings	21,247	991,810	20,518	957,780
Long term (with more than one year residual maturity)				
Debt securities in issue	12,735	594,470	8,700	406,116
Sub debt and other borrowings	16,007	747,207	14,837	692,591
Total long term borrowings	28,742	1,341,677	23,537	1,098,707
Total borrowings	**49,989**	**2,333,487**	**44,055**	**2,056,487**
Equity				
	1,0324			
Share Capital	13	47,287	948	44,253
Reserves	26,327	1,228,944	21,192	989,243
Total equity	**27,340**	**1,276,231**	**22,140**	**1,033,495**
Debt/Equity	1.8	1.8	2.0	2.0
Long term debt/ Equity	1.1	1.1	1.1	1.1

Notes

The residual maturity details are extracted from Note 46 of Annual report 2009.

Capitalisation	*31 December 2009 (US$m)*	*31 December 2009 (Rs.m)*	*31 December 2008 (US$m)*	*31 December 2008 (Rs.m)*
Authorised share capital				
3,632 mn Shares of US$0.50 each	1,816	84,771	1,316	61,431
500 mn Non-cumulative irredeemable preference shares of £1.00 each	807	37,671	725	33,843
300 mn Non-cumulative redeemable preference shares of US$5.00 each	1,500	70,020	1,500	70,020
1 mn Non-cumulative redeemable preference shares of Euro 1,000 each	1,433	66,892	1,392	64,979
100 mn Non-Cumulative Preference Shares of AED 1.00 each	27	1,260	—	—
100 mn Non-Cumulative Preference Shares of HKD 1.00 each	13	607	—	—
100 mn Non-Cumulative Preference Shares of INR 10.00 each	21	1,027	—	—
100 mn Non-Cumulative Preference Shares of KRW 5000.00 each	429	20,026	—	—
100 mn Non-Cumulative Preference Shares of SGD 1.00 each	71	3,314	—	—
Total authorised share capital	6,118	285,558	4,933	230,272
Shareholders' equity				
Allotted, called-up and fully paid share capital				
Ordinary shares	1,013	47,287	948	44,253
Share premium	4,828	225,371	4,743	221,403
Merger reserve	7,284	340,017	5,617	262,202
Reserves and retained earnings	14,215	663,556	10,832	505,638
Total shareholders' equity	**27,340**	**1,276,231**	**22,140**	**1,033,495**

	31 December 2009	31 December 2009	31 December 2008	31 December 2008
Subordinated Liabilities and Other Borrowed Funds:	*(US$m)*	*(Rs.m)*	*(US$m)*	*(Rs.m)*
Subordinated loan capital – issued by subsidiary undertakings				
£675 million 5.375% undated step up Subordinated Notes (callable and floating rate from 2020)	658	30,715	1,064	49,668
£600 million 8.103% Step-Up Callable Perpetual Preferred Securities (Callable and floating rate from 2016)	1,164	54,336	1,085	50,648
£700 million 7.75% Subordinated Notes 2018	1,201	56,063	1,090	50,881
£300 million 6.0% Subordinated Notes 2018 (Callable and floating rate from 2013)	530	24,740	486	22,686
£300 million 6.75% Subordinated Notes 2009	—	—	390	18,205
£200 million 7.75% undated Step up Subordinated Notes (Callable and floating rate from 2022)	390	18,205	360	16,805
£30 million Floating Rate Subordinated Notes 2009	—	—	44	2,054
€1,100 million 5.875% Subordinated Notes 2017	1,701	79,403	1,609	75,108
€750 million 3.625% Subordinated Notes 2017 (Callable and floating rate from 2012)	1,113	51,955	1,066	49,761
€675 million Floating Rate Subordinated Notes 2018 (Callable 2013)	972	45,373	951	44,393
€600 million 5.375% Subordinated Notes 2009	—	—	755	35,243
€500 million 8.16% non-cumulative Trust Preferred Securities (Callable 2010)	723	33,750	711	33,189
$1.5 billion 9.5% Step Up Perpetual Preferred Securities (Callable 2014)	1,509	70,440	—	—
$1 billion 6.4% Subordinated Notes 2017	1,101	51,395	1,203	56,156
$700 million 8.0% Subordinated Notes 2031	574	26,794	1,022	47,707
$500 million Floating Rate Subordinated Notes 2015 (Callable 2010)	499	23,293	499	23,293
$500 million Floating Rate Subordinated Notes 2016 (Callable 2011)	499	23,293	499	23,293
$350 million 4.375% Subordinated Notes 2014 (Floating rate from 2009)	—	—	358	16,711
$300 million Floating Rate Subordinated Notes 2017 (Callable 2012)	298	13,911	297	13,864
$100 million Floating Rate Subordinated Notes 2018 (Callable 2013)	100	4,668	100	4,668
$22 million 9.75% fixed to floating rate note 2021 (Callable 2016)	22	1,027	—	—
BWP 75 million Floating Rate Subodinated Notes 2017 (Callable 2012)	11	513	10	467
BWP 50 million Floating Rate Subordinated Notes 2015 (Callable 2010)	8	373	7	327
HKD 670 million Floating Rate Notes 2014	—	—	77	3,594
HKD 500 million 3.5% Notes 2014 (Floating rate from 2009)	—	—	66	3,081
IDR 500 billion Floating Rate Notes 2016	22	1,027	20	934
KRW 300 billion 7.05% Subordinated debt 2019	259	12,090	—	—
KRW 205 billion 6.01% Subordinated debt 2009	—	—	158	7,375
KRW 30 billion Floating Rate Subordinated debt 2011	26	1,214	24	1,120
KRW 3 billion 6.11% Subordinated debt 2011	2	93	2	93
KRW 90 billion 6.05% Subordinated debt 2018	78	3,641	81	3,781
KRW 260 billion 6.08% Subordinated debt 2018	227	10,596	219	10,223
MYR 500 million 4.28% Subordinated Bonds 2017 (Callable 2012)	149	6,955	150	7,002

	31 December 2009	31 December 2009	31 December 2008	31 December 2008
Subordinated Liabilities and Other Borrowed Funds:	*(US$m)*	*(Rs.m)*	*(US$m)*	*(Rs.m)*
PKR 1 billion Floating Rate Notes 2013	12	560	13	607
PKR 750 million Floating Rate Notes 2011	6	280	9	420
TWD 10 billion undated Floating Rate Notes	312	14,564	305	14,237
TWD 10 billion 2.9% Subordinated debt 2019 (Callable 2014)	310	14,471	—	—
JPY 10 billion 3.35%Subordinated Notes 2023 (Callable 2018)	116	5,415	116	5,415
SGD 450 million 5.25% Subordinated Notes 2023	325	15,171	334	15,591
TZS 8 billion Floating Rate Subordinated Notes 2015	6	280	6	280
	14,923	**696,606**	**15,186**	**708,882**

	31 December 2009	31 December 2009	31 December 2008	31 December 2008
Subordinated loan capital – issued by Company	*(US$m)*	*(Rs.m)*	*(US$m)*	*(Rs.m)*
Primary Capital Floating Rate Notes:				
US$400 mn	58	2,707	58	2,707
US$300 mn (Series 2)	82	3,828	82	3,828
US$400 mn (Series 3)	84	3,921	84	3,921
US$200 mn (Series 4)	52	2,427	52	2,427
£150 mn	242	11,297	217	10,130
	518	24,180	493	23,013
Other borrowings – issued by Company	1,289	60,171	1,307	61,011
US$925 mn 8.125% redeemable preference shares	964	32,909	727	33,936
£96 mn 7.375% irredeemable preference shares	160	7,469	154	7,189
£99 mn 8.25% irredeemable preference shares	165	7,702	159	7,422
	1,807	**84,351**	**1,800**	**84,024**
Total for Group	**16,730**	**780,956**	**16,986**	**792,906**
Total for Company	**1,751**	**81,737**	**1,736**	**81,036**
Total Capitalisation and Indebtedness	**44,070**	**2,057,188**	**39,126**	**1,826,402**

Notes

(1) 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.

(2) Liabilities denominated in foreign currencies are translated into US Dollars at market exchange rates prevailing at 31 December 2009.

The exchange rates used were £1.00 = US$ 1.61420; US$1.00 = HK$ 7.7545; US$1.00 = BWP 6.6622; US$1.00 = KRW 1164.4714; US$1.00 = TZS 1337.9286; US$1.00 = Euro 0.6979; US$1.00 = IDR 9433.5484; US$1.00 = PKR 84.1059.

(3) Contingent liabilities amounted to US$39 billion as at 31 December 2009, of which US$29 billion related to guarantees and irrevocable letters of credit.

(4) The total amount of all other borrowings and indebtedness as at 31 December 2009 was US$329 billion, comprising deposits by banks US$39 billion, customer accounts US$257 billion and other debt securities in issue such as certificates of deposits was US$33 billion. These obligations are unsecured and are not guaranteed. However, US$1.6 billion of the deposits by banks and US$0.4 billion of the customer accounts include liabilities under repurchase agreements, which are collateralised with treasury bills/bonds.

(5) Of the total subordinated liabilities and other borrowings, $11,564 million is at fixed interest rates (2008: $11,865 million).

1 Source: www.temasekholdings.com.sg

2 Source: www.legalandgeneralgroup.com

3 Source: http://www2.blackrock.com

(6) Details of debt issued/ matured/ bought back since 1st January 2009.

a) On 21 April 2009, Standard Chartered First Bank Korea Limited (SCFB) issued KRW300 billion Lower Tier 2 Notes with a coupon of 7.05% maturing due 2019, callable 2014.

b) During 2009, Standard Chartered Bank (SCB) repurchased a total of $193 million of its 8% subordinated notes due May 2031.

c) On 27 April 2009, £281 million fixed to floating step up subordinated notes callable 14 July 2020 issued by SCB were exchanged for £198 million senior notes due 2014 issued by Standard Chartered PLC.

d) On 15 June 2009, SCB issued $1.5 billion 9.5% Step up Perpetual Preferred Securities, callable 2014.

e) On 17 June 2009, PT Bank Permata Tbk issued $100 million subordinated notes with a coupon of 9.75% maturing June 2021, callable June 2016. The Group subscribed for $50 million of these notes. As PT Bank Permata TBk is a joint venture of the Group, on a proportionately consolidated basis, $22 million is treated as a liability for the Group.

f) On 28 October 2009, Standard Chartered Bank (Taiwan) Limited issued TWD10 billion subordinated notes with a fixed coupon rate of 2.9% for the first five years, 3.4% for the remaining 5 years, maturing 2019, callable 2014.

g) On 4 December 2009, Standard Chartered Bank (Hong Kong) Limited exercised the call option on its $350 million 4.375% subordinated notes due December 2014; HKD 500 million 3.5% subordinated notes due December 2014 and HKD 670 million floating rate notes due December 2014.

h) During 2009, £30 million floating rate notes, €600 million 5.375% notes, £300 million 6.75% notes and KRW205 billion subordinated debt matured.

i) On 4 February 2010, SCB exercised its right to redeem its $500 million subordinated floating rate note in full on the first optional call date.

j) On 23 March 2010, Standard Chartered Capital Trust I, a special purpose entity of the Group, redeemed its EUR500 million 8.16 per cent Non-cumulative Trust Preferred Securities.

k) As at 31 March 2010, Standard Chartered Bank (Taiwan) Limited had redeemed approximately TWD 9.95 billion of its TWD 10 billion Undated Floating Rate Notes.

l) On 27 April 2010, Standard Chartered PLC issued US$2 billion senior notes with a coupon of 3.85%, maturing April 2015. The notes are unsubordinated liabilities and will be reported under "other borrowings and indebtedness".

CAPITAL STRUCTURE

The share capital of the Company as at 5 May 2010, being the latest practicable date prior to the publication of this Red Herring Prospectus, is set forth below:

		Aggregate Value at Face Value		*Aggregate Value at Issue Price*	
		*In US$**	*In Rs.*	*In US$**	*In Rs.*
A.	**AUTHORISED CAPITAL**				
	Shares of US$0.50 each	1,816,000,000	84,770,880,000		
	Non-cumulative preference shares of £1.00 each	807,102,502	37,675,544,794		
	Non-cumulative preference shares of US$5.00 each	1,500,000,000	70,020,000,000		
	Non-cumulative preference shares of €1,000 each	1,432,870,039	66,886,373,406		
	Non-cumulative preference shares of AED 1.00 each	27,225,701	1,270,895,726		
	Non-cumulative preference shares of HK$1.00 each	12,895,738	601,973,048		
	Non-cumulative preference shares of Rs10.00 each	21,422,451	1,000,000,000		
	Non-cumulative preference shares of KRW5,000 each	429,379,373	20,043,429,147		
	Non-cumulative preference shares of S$1.00 each	71,209,855	3,324,076,052		
	Total Authorised Share Capital	6,118,105,659	285,593,172,173		
B.	**ISSUED AND FULLY PAID CAPITAL BEFORE THE ISSUE**				
	Shares of US$0.50 each	1,014,717,819	47,367,027,768		
	Non-cumulative preference shares of £1.00 each	315,230,024	14,714,937,530		
	Non-cumulative preference shares of US$5.00 each	2,387,500	111,448,500		
	Total shareholders' equity	1,332,335,343	62,193,413,798		
C.	**PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS**				
	240,000,000 IDRs which are represented by 24,000,000 Shares of US$0.50 each fully paid up	12,000,000	560,160,000	[●]	[●]
D.	**SHARE PREMIUM ACCOUNT**				
	Before the Issue	4,844,673,790	226,149,372,517	[●]	[●]
	After the Issue	[●]	[●]	[●]	[●]
	Paid up	[●]	[●]	[●]	[●]
E.	**EQUITY CAPITAL AFTER THE ISSUE**				
	[●] Shares each fully paid up	[●]	[●]	[●]	[●]

* Note: The exchange rates used for US$ conversion were USD1.00 = £0.6195, USD1.00 = EUR0.6979; US$1.00 = HK$ 7.7545; US$1.00 = KRW 1164.4714; US$1.00=SGD1.4043; US$1.00=AED3.6730

All Shares are identical to and rank *pari passu* with all other Shares in all respects.

The non-cumulative irredeemable preference shares of £1.00 each in issue consist of $8\frac{1}{4}$% non-cumulative preference shares of £1 each and $7\frac{3}{8}$% non-cumulative irredeemable preference shares of £1 each.

As at 5 May 2010 (being the latest practicable date prior to the date of this Red Herring Prospectus), the issued share capital of the Company consisted of:

- 99,250,000 8¼% non-cumulative preference shares of £1 each with no equity voting rights;
- 96,035,000 7⅜% non-cumulative irredeemable preference shares of £1 each with no equity voting rights;
- 462,500 8.125% non-cumulative redeemable preference shares of US$5 each with no equity voting rights;
- 15,000 American Depository Shares representing 15,000 non-cumulative redeemable preference shares of US$5 each with no equity voting rights;
- 2,029,435,637 Shares; and
- the Shares of US$0.50 each with voting rights of one vote for every US$2 nominal value.

The Company holds no shares in treasury. All of the Shares listed above have been issued fully paid.

The authorised share capital of the Company is US$6,118 million made up of 3,632,000,000 Shares of US$0.50 each, 500 million non-cumulative irredeemable preference shares of £1 each, 300 million non-cumulative redeemable preference shares of US$5 each, 1 million non-cumulative redeemable preference shares of €1,000 each, 100 million non-cumulative irredeemable preference shares of AED 1 each, 100 million non-cumulative irredeemable preference shares of HKD 1 each, 100 million non-cumulative irredeemable preference shares of INR 10 each, 100 million non-cumulative irredeemable preference shares of KRW 5,000 each, and 100 million non-cumulative irredeemable preference shares of SGD 1 each.

The Company raised £1,779 million (net of expenses) by way of a rights issue of 470,014,830 new Shares at 390 pence per Share on the basis of 30 new Shares for every 91 existing Shares announced on 24 November 2008.

The Company raised £1,020 million gross by way of a placing of 75 million new shares at £13.60 per Placing Share, announced on 4 August 2009.

For a description of the rights of shareholders see the section titled "*Comparison of Rights of Shareholders*" on page 431 of this Red Herring Prospectus.

The Shares and the Company's 8¼% non-cumulative irredeemable preference shares of £1 each, 7⅜% non-cumulative irredeemable preference shares of £1, American Depository Shares representing 15,000 non-cumulative redeemable preference shares of US$5 each, and 8.125% non-cumulative redeemable preference shares of US$5 each, as well as the Company's sterling undated primary capital floating rate notes, US$ undated primary capital floating rate notes (Series 2), US$ undated primary capital floating rate notes (Series 3), US$ undated primary capital floating rate notes (Series 4), 5.50% US$ notes due 18/11/2014, 4.875% Euro notes due 11/03/2011, US$ floating rate notes due 18/04/2011, 2.48% SGD notes due 07/04/2010, 6.5% sterling notes due 28/04/2014, 5.75% Euro notes due 30/04/2014, and 5.50% US$ notes due 18/11/2014 are admitted to the Official List and trading on the London Stock Exchange. The Shares are listed on the premium segment of the Official List. The Shares are also admitted to listing on the Hong Kong Stock Exchange.

There shall be only one denomination of the IDRs, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting practices as may be specified by the SEBI from time to time.

Major Shareholders

As at 5 May 2010 (being the latest practicable date prior to the publication of this Red Herring Prospectus), the Company has received notification that the following shareholders currently hold 3% or more of the Shares of the Company:

Shareholder	*Percentage of Shares held*
Temasek Holdings (Private) Limited*	18.38%
Blackrock, Inc	6.23%
Legal & General Group Plc	3.98%

* Temasek Holdings (Private) Limited's interest is held indirectly through Fullerton Management Pte Ltd and its subsidiaries and Dover Investments Pte Ltd.

Incorporated in 1974, Temasek Holdings (Private) Limited is an Asia investment company headquartered in Singapore. As at 31 July 2009, Temasek has reported that it owns a diversified S$172 billion (US$119 billion) portfolio, concentrated principally in Singapore, Asia and the emerging economies. Temasek's headquarters in Singapore is at 60B Orchard Road, 06-18 Tower 2, The Atrium, Orchard, Singapore 238891.

Established in 1836, Legal & General Group Plc is a UK based financial services company with operations in the USA, France, the Netherlands, Germany and the UK. Legal & General has reported that it is responsible for investing £280 billion worldwide, as at 31 December 2008, on behalf of investors, policy holders and institutions. Legal & General's registered office is at One Coleman Street, London, EC2R 5AA, UK.

Established in 1988, BlackRock, Inc is an asset management firm and provider of global investment management, risk management and advisory services to institutional, intermediary and individual investors around the world. Blackrock has reported that as of 31 December 2009, it's assets under management totalled US$3.35 trillion across equity, fixed income, cash management, alternative investment, real estate and advisory strategies. Blackrock's registered office is at BlackRock, Inc., 40 East 52nd Street, New York, NY 10022.

Capital Issuances

The following tables show the movements in called-up share capital over the last five years.

In US$:

	Notes	*Number of Shares (m)*	*Ordinary share capital US$m*	*Preference share capital US$m*	*Share premium account US$m*	*Total US$m*
At 1 January 2003		1,170	585	351	2,764	3,700
Issued instead of dividends	1	3	2	—	46	48
Issued under employee share schemes	2	2	1	—	3	4
At 31 December 2003		1,175	588	351	2,813	3,752
Exchange translation	3	—	—	26	—	26
Issued instead of dividends	4	3	1	—	15	16
Issued under employee share schemes	5	1	1	—	7	8
At 31 December 2004		1,179	590	377	2,835	3,802
Adoption of IAS 32 and 39	6	—	—	(375)	—	(375)
At 1 January 2005		1,179	590	2	2,835	3,427
Issued instead of dividends	9	4	2	—	(2)	—
Shares issued, net of expenses		—				
i) New issue	7	118	59	—	—	59
ii) Issued under employee share schemes	8, 9	15	7	—	201	208
At 31 December 2005		1,316	658	2	3,034	3,694
Shares repurchased	12	—	—	(2)	—	(2)
Preference shares	10	—	—	—	750	750
Issued instead of dividends	11	15	7	—	(7)	—
i) New issue	12	52	27	—	88	115
ii) Issued under employee share schemes	11	1	—	—	—	—
At 31 December 2006		1,384	692	—	3,865	4,557
Preference shares	15	—	—	—	750	750
Issued instead of dividends	13	16	8	—	(8)	—
Issued under employee share schemes	14	10	5	—	106	111
At 31 December 2007		1,410	705	—	4,713	5,418
Issued instead of dividends	16	11	6	—	(6)	—
Issued under employee share schemes	17	5	2	—	36	38
Issued under the rights issue	18	470	235	—	—	235
At 31 December 2008		**1,896**	**948**	**—**	**4,743**	**5,691**
Issued instead of dividends	19	41	21	—	(21)	—
Issued under employee share schemes	20	13	7	—	106	113
Issued under the placing	21	75	37	—	—	37
At 31 December 2009		2,025	1,013	—	4,828	5,841
Issued under employee share schemes	22	4	2	—	17	19
At 5 May 2010		**2,029**	**1,015**	**—**	**4,845**	**5,860**

In Rs.:

	Notes	*Number of Shares (m)*	*Ordinary share capital Rs.m*	*Preference share capital Rs.m*	*Share premium account Rs.m*	*Total Rs.m*
At 1 January 2003		1,170	27,308	16,385	129,024	172,716
Issued instead of dividends	1	3	93	—	2,147	2,241
Issued under employee share schemes	2	2	47	—	140	187
At 31 December 2003		1,175	27,448	16,385	131,311	175,143
Exchange translation	3	—	—	1,214	—	1,214
Issued instead of dividends	4	3	47	—	700	747
Issued under employee share schemes	5	1	47	—	327	373
At 31 December 2004		1,179	27,541	17,598	132,338	177,477
Adoption of IAS 32 and 39	6	—	—	(17,505)	—	(17,505)
At 1 January 2005		1,179	27,541	93	132,338	159,972
Issued instead of dividends	9	4	93	—	(93)	—
Shares issued, net of expenses						
i) New issue	7	118	2,754	—	—	2,754
ii) Issued under employee share schemes	8, 9	15	327	—	9,383	9,709
At 31 December 2005		1,316	30,715	93	141,627	172,436
Shares repurchased	12	—	—	(93)	—	(93)
Preference shares	10	—	—	—	35,010	35,010
Issued instead of dividends	11	15	327	—	(327)	—
i) New issue	12	52	1,260	—	4,108	5,368
ii) Issued under employee share schemes	11	1	—	—	—	—
At 31 December 2006		1,384	32,303	—	180,418	212,721
Preference shares	15	—	—	—	35,010	35,010
Issued instead of dividends	13	16	373	—	(373)	—
Issued under employee share schemes	14	10	233	—	4,948	5,181
At 31 December 2007		1,410	32,909	—	220,003	252,912
Issued instead of dividends	16	11	280	—	(280)	—
Issued under employee share schemes	17	5	93	—	1,680	1,774
Issued under the rights issue	18	470	10,970	—	—	10,970
At 31 December 2008		**1,896**	**44,253**	—	221,403	265,656
Issued instead of dividends	19	41	980	—	(980)	—
Issued under employee share plans	20	13	327	—	4,948	5,275
Issued under the placing	21	75	1,727	—	—	1,727
At 31 December 2009		2,025	47,287	—	225,371	272,658
Issued under employee share schemes	22	4	93	—	778	871
At 5 May 2010		**2,029**	**47,380**	**—**	**226,149**	**273,529**

Notes to the table:

(1) On 13 May 2003, 1,897,212 Shares were issued instead of the 2002 final dividend. On 10 October 2003, 858,819 Shares were issued instead of the 2003 interim dividend.

(2) 2,010,942 Shares were issued under the Standard Chartered Share Schemes during 2003.

(3) The exchange translation relates to revaluation of GBP denominated preference shares.

(4) On 14 May 2004, 2,066,122 Shares were issued instead of the 2003 final dividend. On 8 October 2004, 912,977 Shares were issued instead of the 2004 interim dividend.

(5) 1,272,055 Shares were issued under the Standard Chartered Share Schemes during 2004.

(6) On adoption of IAS 32 and 39, £195 million non-cumulative irredeemable preference shares have been reclassified from equity to liabilities.

(7) On 10 January 2005, the Company placed 117,902,943 Shares of US$0.50 each at a price of 920 pence per Share representing approximately 9.99% of the Company's existing issued ordinary share capital. The placees (comprising more than six in number) were professional and institutional investors, independent and not connected with the Company and its subsidiaries and their respective associates. The Shares were issued on 14 January 2005 raising net proceeds of approximately £1,071 million (US$2.0 billion), a net price per Share of 908.5 pence. The market price of the Shares at close of business in London on 10 January 2005 was 928.5 pence. The Shares that were issued had an aggregate nominal amount of US$58,981,471.50.

The purpose of the share issue was to aid the funding of the purchase of the entire share capital of Korea First Bank for approximately KRW3.4 trillion (US$3.3 billion) in cash.

On 16 February 2005, the Company repurchased 3,000 8.9% non-cumulative preference shares. The preference shares were repurchased at a premium of US$3 million and were cancelled.

(8) On 23 May 2005, the Company issued 11,700,000 Shares at a price of 985.6 pence per Share (£115 million, US$211 million) to the Employee Benefit Trust towards satisfaction of the vested shares under the Company's discretionary share schemes.

(9) On 13 May 2005, 2,522,654 Shares were issued instead of the 2004 final cash dividend. On 14 October 2005, 1,735,708 Shares were issued instead of the 2005 interim cash dividend. A further 3,525,788 Shares were issued under the Standard Chartered Share Schemes during 2005.

(10) On 8 December 2006, the Company issued 7,500 non-cumulative redeemable preference shares of US$5 each at a placing price of US$100,000 each. The shares are redeemable at the option of the Company and have discretionary coupon payments and are accordingly classified as equity as required by IAS 32. The shares were issued to fund the continuing business of the Group.

(11) On 12 May 2006, the Company issued 9,960,348 Shares instead of the 2005 final dividend. On 11 October 2006, the Company issued 4,912,941 Shares instead of the 2006 interim dividend. A further 1,496,807 Shares were issued under the Standard Chartered Share Schemes during 2006.

(12) On 12 January 2006, the Company issued 3,401,290 Shares at an average price of 1,301 pence per Share representing approximately 0.3% of the Company's existing issued ordinary share capital. The middle market price on 12 January 2006 was 1,323 pence. The issue of Shares was used to acquire 20% of Fleming Family & Partners Limited. On 4 October 2006, the Company issued 48,500,000 Shares each at a placing price of 1,375 pence per Share representing approximately 3.7% of the Company's existing issued share capital. The middle market price on 4 October 2006 was 1,363 pence. This issue of Shares was used to acquire Hsinchu. On 2 October 2006, the Company repurchased the remaining 328,388 8.9% non-cumulative preference shares. The preference shares were repurchased at a premium of US$326 million and were cancelled. The premium paid on the 8.9% non-cumulative preference shares redeemed in 2006 has been reclassified as a deduction from retained earnings rather than a deduction from the share premium account.

(13) On 10 May 2007, the Company issued 12,765,274 Shares instead of the 2006 final dividend. On 10 October 2007, the Company issued 3,163,466 Shares instead of the 2007 interim dividend.

(14) 9,012,891 Shares were issued under the Standard Chartered Share Schemes during 2007.

(15) On 25 May 2007, the Company issued 7,500 non-cumulative redeemable preference shares of US$5 each at a placing price of US$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) and 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.

(16) On 16 May 2008, the Company issued 8,142,490 Shares instead of the 2007 final dividend. On 9 October 2008, the Company issued 2,940,049 Shares instead of the 2008 interim dividend.

(17) 5,410,537 Shares were issued under the Standard Chartered Share Schemes during 2008.

(18) On 18 December 2008, the Company issued 470,014,830 Shares under the Standard Chartered rights issue announced on 24 November 2008.

(19) On 15 May 2009, the Company issued 32,270,731 Shares instead of the 2008 final dividend. On 8 October 2009, the Company issued 9,157,053 Shares instead of the 2009 interim dividend.

(20) 12,594,749 Shares were issued under the Standard Chartered Share Schemes during 2009.

(21) On 7 August 2009, the Company issued 75,000,000 Shares under the Standard Chartered placing announced on 4 August 2009.

(22) 4,235,866 Shares were issued under the Standard Chartered Share Schemes between 1 January 2010 and 5 May 2010.

Share Schemes

Options

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. Awards made under this scheme are not subject to the valuation criteria of IFRS 2, as all awards were granted prior to 7 November 2002, and were all vested as at that date. 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% over three consecutive years. There are no outstanding options in this scheme.

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 one year after which options will not be granted under this scheme.

2001 Performance Share Plan (PSP)

Outline of the 2001 Performance Share Plan

The PSP is an intrinsic element of total remuneration for the Company's executive directors and executive population. Its significance as a percentage of these individuals' total potential remuneration is one of the strongest indicators of the Company's commitment to paying for sustainable performance. A performance test is applied both at the time of award and upon vesting.

Given that the PSP is currently under review, awards to the majority of senior executives for 2009 will be made by way of the RSS at the equivalent expected value.

Performance conditions

Half the award is dependent upon the Company's total shareholder return (TSR) performance compared to that of a group of peers at the end of a three year period. The other half is subject to a target for earnings per share (EPS) growth applied over the same three year period.

The Company reviewed the performance conditions in 2009 and concluded that, in aggregate, the combination of these measures and targets was appropriate and provided 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 below:

TSR	Relative total shareholder return, which measures the growth in share price plus dividends paid to shareholders, is recognised as one of the best indicators as to whether they have achieved a good return investing in a specific company relative to a basket of similar companies or a single index
EPS	Earnings per share provide an appropriate measure of a company's underlying financial performance

A review of the Company's performance conditions is currently being undertaken and the Company is considering proposing to the shareholders that a measure relating to economic profit is included in the design of the Company's PSP.

TSR element

The constituents of the Company's comparison peer group for awards made in 2009 are set out below:

For awards made in 2009

Banco Santander	JP Morgan 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	

A comprehensive review of the comparison group was made in June 2008 by the Company, which 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 Company's current business. The Committee used a combination of measures, including size, business scope and geographic spread, to identify the most appropriate companies before agreeing the constituents.

Following the increase in the number of constituents, the vesting schedule has been recalibrated to ensure the vesting level at median and upper quintile remains broadly unchanged. The percentage of awards exercisable at the end of the relevant three year performance period is calculated on a straightline basis. Minimum vesting occurs if the Company achieves median ranking, with full vesting achieved if it is ranked in the upper quintile or above position in the Company's comparison group.

Comparison group for awards in 2010 onwards

In December 2009, the Company reviewed the continued appropriateness of the Company's comparison peer group and decided to make a minor refinement to the constituents, which resulted in the replacement of Lloyds Banking Group by Credit Suisse. This will affect awards made in 2010 and onwards.

The Company believes that it is preferable to measure total shareholder return performance using a local currency approach. This reflects the international composition of the comparison group, but also takes into account that a significant proportion of each company's profits is generated in the same currency as its primary listing. This approach measures the real impact for a shareholder by focusing on relative stock movement rather than taking into account exchange rate fluctuations.

EPS element

The percentage of award which is normally 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
15 to 30%	More than 15 but less than 50*
More than 30%	50

* Calculated on a straightline basis.

Vesting of 2007 awards

The Committee recently reviewed whether the performance conditions for awards granted in 2007 were satisfied at the end of December 2009. The table below sets out earnings per share and total shareholder return performance over the three-year period and the percentage of the 2007 awards that has now vested.

Element	*Performance*	*2007 Awards*
EPS growth	20.35%	27.48%
TSR ranking	1 out of 15	50%
Total		77.48%

For awards granted in 2009, normalised EPS of 179.8 cents has been used as a base figure.

1997/2006 Restricted Share Scheme (RSS)

The RSS is used as a vehicle for deferring part of annual performance awards to employees and as an incentive plan to motivate and retain high performing staff. Except where used for deferral purposes, executive directors are not generally eligible to participate in the RSS. However, awards may be made on an exceptional basis at the time of their appointment. For example, RSS may be used to compensate a newly appointed executive director for share awards forfeited when they left 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.

Some minor changes are proposed at the May 2010 AGM to enable delivery of increased levels of deferral of annual performance awards, in accordance with the requirements of the FSA.

2007 Supplementary Restricted Share Scheme (SRSS)

The Company also operate a SRSS, which is similar to the RSS. This scheme is principally used for Global Markets employees but is also used to defer one third of an employee's deferred annual performance award which vests after one year. Executive directors are specifically prohibited from this scheme. New shares cannot be issued to satisfy awards. There is no individual annual limit.

Both the restricted share and supplementary restricted share schemes, in line with similar schemes operated by the Company's competitors, do not have performance conditions.

2004 Deferred Bonus Plan (DBP)

Under the DBP, shares are conditionally awarded in order to defer one third of a director's deferred annual performance award which vests after one year. The DBP is used for directors only instead of the SRSS as under the scheme rules directors are unable to participate in the SRSS.

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.

The Company strongly believes in encouraging employee share ownership at all levels in the organisation. The Company seeks to engage employees in its performance to align their interests more closely with those of the Company's shareholders and offer them an opportunity for long-term savings and a share in the financial success that they help to create.

It is not possible to offer Sharesave schemes in some countries in which the Company operates because of local securities laws or regulatory issues. The Company offers an equivalent cash-based scheme to these employees as an alternative.

As at 31 December 2009, 37% of employees globally participated in the Company's all employee Sharesave schemes (2008: 37%). There are no performance conditions attached to options granted under these schemes.

Further details on the long-term incentives operated by Standard Chartered are set out in note 39 to the financial statements.

Financial Details of Employer Share Schemes

1994 Executive Share Option Scheme

Awards made under the 1994 ESOS 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 years to 31 December 2009 and 2008 is shown below:

	2009		*2008*	
	No. of shares	*Weighted average exercise price (£)*	*No. of shares*	*Weighted average exercise price (£)*
Outstanding at 1 January	—	—	10,806	6.20
Lapsed	—	—	—	—
Exercised	—	—	(10,806)	6.20
Outstanding at 31 December	—	—	—	—
Exercisable at 31 December	—	—	—	—

	2009		*2008*	
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	—	—	—	—

	2009		2008	
	No. of shares	*Weighted average exercise price (Rs.)*	*No. of shares*	*Weighted average exercise price (Rs.)*
Outstanding at 1 January	—	—	10,806	465.21
Lapsed	—	—	—	—
Exercised	—	—	(10,806)	465.21
Outstanding at 31 December	—	—	—	—
Exercisable at 31 December	—	—	—	—

	2009		2008	
Range of exercise price for options outstanding	*Weighted average exercise price (Rs.)*	*Weighted average remaining contractual life*	*Weighted average exercise price (Rs.)*	*Weighted average remaining contractual life*
n/a	—	—	—	—

The weighted average share price at the time the options were exercised during 2008 was £17.23.

2000 Executive Share Option Scheme

No share awards were granted under the 2000 ESOS during 2009 or 2008.

A reconciliation of option movements over the period to 31 December 2009 and 31 December 2008 is shown below:

	2009		2008	
	No. of shares	*Weighted average exercise price (£)*	*No. of shares*	*Weighted average exercise price (£)*
Outstanding at 1 January	7,485,925	7.18	8,575,209	8.28
Additional Shares for rights issue	—	—	937,283	—
Lapsed	(5,253)	8.19	(3,348)	6.05
Exercised	(4,076,707)	7.08	(2,023,219)	7.47
Outstanding at 31 December	3,403,965	7.29	7,485,925	7.18
Exercisable at 31 December	3,403,965	7.29	7,485,925	7.18

	2009		2008	
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	7.29	3.2 years	7.18	4.0 years

	2009		2008	
	No. of shares	*Weighted average exercise price (Rs.)*	*No. of shares*	*Weighted average exercise price (Rs.)*
Outstanding at 1 January	7,485,925	538.74	8,575,209	621.28
Additional Shares for rights issue	—	—	937,283	—
Lapsed	(5,253)	614.52	(3,348)	453.95
Exercised	(4,076,707)	531.24	(2,023,219)	560.50
Outstanding at 31 December	3,403,965	546.99	7,485,925	538.74
Exercisable at 31 December	3,403,965	546.99	7,485,925	538.74

	2009		2008	
Range of exercise price for options outstanding	*Weighted average exercise price (Rs.)*	*Weighted average remaining contractual life*	*Weighted average exercise price (Rs.)*	*Weighted average remaining contractual life*
Rs. 453.95/Rs. 682.8	546.99	3.2 years	538.74	4.0 years

The intrinsic value of vested 2000 ESOS cash-settled awards as at 31 December 2009 was US$3 million (2008: US$0.8 million).

The weighted average share price at the time the options were exercised during 2009 was £14.28 (2008: £17.23).

2001 Performance Share Plan (PSP)

The fair value of awards 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. As set out in the Directors' remuneration report, half the award is dependent on a TSR performance condition and half dependent on an EPS performance condition. The fair value of the TSR component is derived by discounting 50% of the award that is subject to the TSR condition by the loss of expected dividends over the performance period, together with the probability 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% of the award by the loss of expected dividends over the performance period. In respect of the EPS component only, the number of shares expected to vest is adjusted for actual performance when calculating the charge for the year.

	2009				2008		
Grant date	*3 December*	*15 September*	*23 June*	*11 March*	*16 September*	*24 April*	*11 March*
Share price at grant date (£)	15.51	14.41	11.75	8.10	13.86	17.82	16.26
Share price at grant date (Rs.)	1,163.77	1,081.23	881.64	607.77	1,039.96	1,337.10	1,220.04
Vesting period (years)	3	3	3	3	3	3	3
Expected dividends (yield) (%)	3.43	3.43	3.41	3.41	2.6	2.6	2.6
Fair value (EPS) (£)	7.13	6.63	5.40	3.73	12.83	16.5	15.06
Fair value (EPS) (Rs.)	534.99	497.47	405.18	279.87	962.68	1,238.05	1,130.00
Fair value (TSR) (£)	2.81	2.61	2.13	1.46	5.04	6.49	5.89
Fair value (TSR) (Rs.)	210.84	195.84	159.82	109.55	378.17	486.97	441.95

The expected dividend yield is based on the historical dividend yield over the three years prior to grant.

A reconciliation of option movements over the period to 31 December 2009 and 2008 is shown below:

	2009		2008	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	8,458,895	—	5,885,597	—
Granted	4,583,187	—	2,625,696	—
Additional shares for Rights issue	—	—	1,067,755	—
Lapsed	(528,627)	—	(105,828)	—
Exercised	(1,737,903)	—	(1,014,325)	—
Outstanding at 331 December	10,775,552	—	8,458,895	—
Exercisable at 31 December	938,782	—	683,870	—

	2009		2008	
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	—	8.2 years	—	8.1 years

The intrinsic value of vested 2001 cash-settled awards as at 31 December 2009 was US$2 million (2008: US$0.3 million).

The weighted average share price at the time the options were exercised during 2009 was £11.48 (2008: £15.74).

1997/2006 Restricted Share Scheme (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.

	2009					2008		
Grant date	*3 December*	*28 September*	*15 September*	*23 June*	*11 March*	*16 September*	*24 April*	*11 March*
Share price at grant date (£)	15.51	14.98	14.44	11.75	8.10	13.86	17.82	16.26
Share price at grant date (Rs.)	1,163.77	1,124	1,083.48	881.64	607.77	1,039.96	1,337.10	1,220.04
Vesting period (years)	2/3	2/3	2/3	2/3	2/3	3	3	3
Expected dividends (yield) (%)	3.45	3.45	3.45	3.73	3.73	2.4	2.4	2.4
Fair value (£)	14.25	13.76	13.27	10.72	7.39	8.25	8.25	8.25
Fair value (Rs.)	1,069.23	1,032.46	995.69	804.36	554.5	619.03	619.03	619.03

The expected dividend is based on the historical dividend for three years prior to grant.

A reconciliation of option movements over the period to 31 December 2009 and 2008 is shown below:

	2009		*2008*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	7,285,927	—	6,275,898	—
Granted	12,675,994	—	2,137,992	—
Additional Shares for rights issue	—	—	925,127	—
Lapsed	(528,860)	—	(294,595)	—
Exercised	(2,155,899)	—	(1,758,495)	—
Outstanding at 31 December	17,277,162	—	7,285,927	—
Exercisable at 31 December	1,986,203	—	1,900,102	—

The weighted average share price at the time the options were exercised during 2009 was £11.98 (2008: £15.69).

	2009		*2008*	
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	—	5.6 years	—	5.0 years

The intrinsic value of vested 1997/2006 RSS cash-settled awards as at 31 December 2009 was US$12 million (2008: US$3 million).

2007 Supplementary Restricted Share Scheme (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.

	2009				*2008*	
Grant date	*3 December*	*15 September*	*23 June*	*11 March*	*16 September*	*11 March*
Share price at grant date (£)	15.51	14.44	11.75	8.10	13.86	16.26
Share price at grant date (Rs.)	1,163.77	1,083.48	881.64	607.77	1,039.96	1,220.04
Vesting period (years)	2/3	2/3	2/3	2/3	2/3	2/3
Expected dividends (yield) (%)	3.45	3.45	3.73	3.73	2.4	2.4
Fair value (£)	14.25	13.27	10.72	7.39	13.06	12.41
Fair value (Rs.)	1,069.23	995.69	804.36	554.50	979.94	931.16

The expected dividend is based on the historical dividend for three years prior to grant.

A reconciliation of option movements over the period to 31 December 2009 and 2008 is shown below:

	2009		*2008*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	2,442,096	—	187,602	—
Granted	5,172,293	—	2,020,181	—
Additional Shares for rights issue	—	—	307,805	—
Lapsed	(51,909)	—	(45,549)	—
Exercised	(147,948)	—	(27,943)	—
Outstanding at 31 December	7,414,532	—	2,442,096	—
Exercisable at 31 December	53,580	—	—	—

	2009		*2008*	
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	—	5.9 years	—	6.2 years

The weighted average share price at the time the options were exercised during 2009 was £14.62 (2008: n/a).

1994/1996 UK and International Sharesave Schemes

A reconciliation of option movements over the period to 31 December 2009 and 2008 is shown below:

	2009		*2008*	
	No. of shares	*Weighted average exercise price (£)*	*No. of shares*	*Weighted average exercise price (£)*
Outstanding at 1 January	162,982	5.61	561,107	5.82
Additional Shares for rights issue	—	—	36,060	—
Lapsed	—	—	(227,613)	4.92
Exercised	(127,062)	5.61	(206,572)	5.35
Outstanding at 31 December	35,920	5.61	162,982	5.61
Exercisable at 31 December	35,920	5.61	162,982	5.61

Range of exercise price for options outstanding	2009 Weighted average exercise price (£)	2009 Weighted average remaining contractual life	2008 Weighted average exercise price (£)	2008 Weighted average remaining contractual life
£5.61	5.61	—	5.61	0.3 years

	2009 No. of shares	2009 Weighted average exercise price (Rs.)	2008 No. of shares	2008 Weighted average exercise price (Rs.)
Outstanding at 1 January	162,982	420.94	561,107	436.69
Additional Shares for rights issue	—	—	36,060	—
Lapsed	—	—	(227,613)	369.16
Exercised	(127,062)	420.94	(206,572)	401.43
Outstanding at 31 December	35,920	420.94	162,982	420.94
Exercisable at 31 December	35,920	420.94	162,982	420.94

Range of exercise price for options outstanding	2009 Weighted average exercise price (Rs.)	2009 Weighted average remaining contractual life	2008 Weighted average exercise price (Rs.)	2008 Weighted average remaining contractual life
Rs. 420.94	420.94	—	420.94	0.3 years

The weighted average share price at the time the options were exercised during 2009 was £10.86 (2008: £13.89) for 1994 UK Sharesave Scheme and £10.28 (2008: £13.89) for 1996 International Sharesave Scheme.

The intrinsic value of vested 1994/1996 UK and International Sharesave cash-settled awards as at 31 December 2009 was US$nil million (2008: US$0.1 million).

2008 Irish Sharesave Scheme

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

Valuation

Options are valued using a binomal option-pricing mode. The same fair value is applied for awards made to both directors and employees of the Group. The fair value per option granted and assumptions used in the calculation areas follows:

Grant date	*2009* *5 October*	*2008* *29 September*
Share price at grant date (£)	14.92	14.52
Share price at grant date (Rs.)	1,119.50	1,089.48
Exercise price (£)	11.46	11.62
Exercise price (Rs.)	859.88	871.89
Vesting period (years)	3/5	3/5
Expected volatility (%)	52.9/42.6	39.6/48.7
Expected option life (years)	3.33/5.33	3.33/5.33
Risk free rate (%)	1.8/2.5	2.32/2.53
Expected dividend yield (%)	3.3/3.2	2.5/2.73
Fair value (£)	5.9/5.8	2.99/3.04
Fair value (Rs.)	442.7/435.19	224.35/228.10

	2009		*2008*	
	No. of shares	*Weighted average exercise price (£)*	*No. of shares*	*Weighted average exercise price (£)*
Outstanding at 1 January	14,290	10.18	—	—
Granted	4,581	11.46	12,510	10.18
Additional shares rights issue	—	—	1,780	—
Lapsed	—	—	—	—
Exercised	—	—	—	—
Outstanding at 31 December	18,871	10.48	14,290	10.18
Exercisable at 31 December	—	—	—	—

	2009		*2008*	
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*
£10.18-£11.46	10.48	3.6 years	10.18	5.3 years

	2009		*2008*	
	No. of shares	*Weighted average exercise price (Rs.)*	*No. of shares*	*Weighted average exercise price (Rs.)*
Outstanding at 1 January	14,290	763.84	—	—
Granted	4,581	859.88	12,510	763.84
Additional shares rights issue	—	—	1,780	—
Lapsed	—	—	—	—
Exercised	—	—	—	—
Outstanding at 31 December	18,871	786.35	14,290	—
Exercisable at 31 December	—	—	—	763.84

	2009		*2008*	
Range of exercise price for options outstanding	*Weighted average exercise price (Rs.)*	*Weighted average remaining contractual life*	*Weighted average exercise price (Rs.)*	*Weighted average remaining contractual life*
Rs. 763.84-Rs. 859.88	786.35	3.6 years	763.84	5.3 years

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:

	2009		*2008*	
Grant date	*9 October*	*5 October*	*3 October*	*16 September*
Share price at grant date (£)	15.57	14.92	14.52	14.52
Share price at grant date (Rs.)	1,168.27	1,119.50	1,089.48	1,089.48
Exercise price (£)	11.46	11.46	11.62	11.62
Exercise price (Rs.)	859.88	859.88	871.89	871.89
Vesting period (years)	3/5	3/5	3/5	3/5
Expected volatility (%)	52.9/43.7	52.9/42.6	39.6/48.7	39.6/48.7
Expected option life (years)	3.33/5.33	3.33/5.33	3.33/5.33	3.33/5.33
Risk free rate (%)	1.8/2.5	1.8/2.5	2.32/2.53	2.32/2.53
Expected dividend yield (%)	3.3/3.2	3.3/3.2	2.5/2.73	2.5/2.73
Fair value (£)	6.4/6.2	5.9/5.8	2.99/3.04	2.99/3.04
Fair value (Rs.)	480.21/465.21	442.7/435.19	224.35/228.10	224.35/228.10

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 yield over the last three years or 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 period to 31 December 2009 and 2008 is shown below:

	2009		2008	
	No. of shares	*Weighted average exercise price (£)*	*No. of shares*	*Weighted average exercise price (£)*
Outstanding at 1 January	20,229,858	9.69	14,266,731	10.91
Granted	3,881,940	11.46	6,241,929	10.18
Additional shares rights issue	—	—	2,579,391	—
Lapsed	(2,160,450)	10.26	(2,574,039)	10.14
Exercised	(4,484,911)	8.81	(284,154)	7.04
Outstanding at 31 December	17,466,437	10.28	20,229,858	9.69
Exercisable at 31 December	2,018,787	9.17	3,588,924	9.69

	2009		2008	
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/£11.46	10.28	2.2 years	9.69	1.9 years

	2009		2008	
	No. of shares	*Weighted average exercise price (Rs.)*	*No. of shares*	*Weighted average exercise price (Rs.)*
Outstanding at 1 January	20,229,858	727.07	14,266,731	818.61
Granted	3,881,940	859.88	6,241,929	763.84
Additional shares rights issue	—	—	2,579,391	—
Lapsed	(2,160,450)	769.84	(2,574,039)	760.84
Exercised	(4,484,911)	661.04	(284,154)	528.24
Outstanding at 31 December	17,466,437	771.34	20,229,858	727.07
Exercisable at 31 December	2,018,787	688.06	3,588,924	727.07

	2009		2008	
Range of exercise price for options outstanding	*Weighted average exercise price (Rs.)*	*Weighted average remaining contractual life*	*Weighted average exercise price (Rs.)*	*Weighted average remaining contractual life*
Rs. 488.47-Rs. 859.88	771.34	2.2 years	727.07	1.9 years

The weighted average share price at the time the options were exercised during 2009 was £14.16 (2008: £13.92) for the UK Sharesave scheme and £12.73 (2008: £13.92) for the International Sharesave scheme.

The intrinsic value of vested 2004 UK and International Sharesave cash-settled awards as at 31 December 2009 was US$7 million (2008: US$0.4 million).

2004 Deferred Bonus Plan (DBP)

Under this plan shares are issued directly to participants upon vesting.

A reconciliation of share movements over the years to 31 December 2009 and 2008 is shown below:

	2009 No. of shares	*2008 No. of shares*
Outstanding at 1 January	352,857	351,340
Shares vested	(347,836)	(324,002)
Shares awarded	352,633	307,760
Additional shares rights issue	—	43,756
Shares lapsed	(7,073)	(25,997)
Outstanding at 31 December	350,581	352,857

Market value of shares on date of 2009 awards (6 March 2009) was £6.98 (2008: £16.43). The shares vest one year after the date of award. A notional scrip dividend accrues on the shares held in the Trust. The dividend is normally delivered in the form of shares and is released on vesting.

For details of interests in shares held by directors and key managerial personnel please see the section titled "*Directors and Senior Management*" on page 288 of this Red Herring Prospectus.

DIVIDENDS

Standard Chartered does not have a dividend policy. There is no guarantee that any future dividends will be declared or paid. The declaration and payment of dividends will depend upon, among other things, expected future earnings, capital requirements of the Group and the general financial and business conditions of the Company at the time. Under the UK Companies Act, dividends may be paid out of the profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous financial years.

Subject to the provisions of the UK Companies Act and the Articles, the Company may pay dividends upon a recommendation by the Board and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board. Such dividends are known as final dividends and become a debt payable to shareholders when they are approved by the shareholders. Subject to the provisions of the UK Companies Act and the Articles, the Board may declare and pay dividends without shareholder approval at an annual general meeting. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the shareholders only upon actual payment. The Board may also pay any dividend payable at a fixed rate at intervals settled by the Board in accordance with the terms of issue of the shares to which such dividend attaches.

The Board normally declares an interim dividend on Shares in respect of the first half of a financial year representing a proportion of the total anticipated dividend distribution for the full financial year. If an interim dividend is declared it is usually paid in October with any final dividend being paid during May.

Dividends are declared in US$ but are paid in GBP, US$ or HKD. Cash dividends are paid to UK Shareholders in GBP unless the shareholder has elected to receive payment in either US$ or HKD, and to Hong Kong Shareholders in HKD unless Shareholder has elected to receive payment in either US$ or GBP.

The Shares represented by the IDRs will rank *pari passu* with other Shares in respect of dividends and so will be entitled to a payment in respect of any dividend declared on the Shares in respect of the financial period in which the IDRs are issued and allotted. IDR Holders will be entitled to receive dividends paid on Shares represented by such IDRs in accordance with the terms of the Deposit Agreement. Cash dividends on Shares represented by the IDRs will be paid to the Depository in US$ and, except as otherwise described in the section titled "*Terms and Conditions of the Indian Depository Receipts*" on page 356 of this Red Herring Prospectus, will be converted by the Depository into Rs. and distributed, net of any fees, taxes, duties, charges, costs and expenses, to the IDR Holders.

In addition, the Company may offer holders of Shares the right to elect to receive Shares instead of all or part of a cash dividend (scrip dividend alternative). In such circumstances, the Company will send a circular to holders of Shares giving details of the terms of the election and how an election can be made, together with a form of election stating the number of new Shares such holder is entitled to receive instead of the cash dividend.

The Articles give the Board the power to set a record date for any dividend such that all shareholders who appear on the register of members of the Company as on the "record date" are entitled to the dividend declared by the Company. Any shareholder who ceases to be a shareholder prior to the record date or becomes a shareholder after the record date will not be entitled to the dividend declared by the Company. The Company is only obliged to pay dividends to those shareholders who are on the register of members of the Company on the record date.

The London Stock Exchange sets, on an annual basis, a timetable to assist company secretaries, registrars and advisers in determining the cash dividend dates for the relevant year. This dividend procedure timetable sets out a series of ex-dividend dates, corresponding record dates and latest announcement dates. Ex-dividend dates normally fall on the Wednesday of each week, with the associated record date falling two Business Days later (not including the ex-dividend date). Therefore, each ex-dividend date has a set record date and vice versa. Companies which follow this dividend procedure timetable are not required to notify the London Stock Exchange in advance, provided an announcement is made. The announcement must include the dividend amount (net or gross), record date, pay date and the availability of any scrip dividend, dividend reinvestment plan or currency elections.

If the ex-dividend date or record date is the key date driving the issuer's dividend timetable, the issuer must declare the dividend on or before the announcement date on the same line in the dividend procedure timetable as the relevant ex-dividend date or record date. If the announcement date is the key date driving the issuer's dividend timetable, the issuer may choose the ex-dividend date or record date on the same line in the dividend procedure timetable as the announcement date or on any subsequent line.

The Hong Kong Stock Exchange does not provide a timetable. However, listed companies in Hong Kong are required to inform the Hong Kong Stock Exchange and publish an announcement at least seven clear Business Days in advance of the date fixed for any board meeting at which the declaration, recommendation or payment of a dividend is expected to be decided. Once such decision is made, a listed company is obliged to inform the Hong Kong Stock Exchange and publish an announcement disclosing details of the dividend, including the rate and amount.

See the section titled "*Taxation Framework in India and UK*" on page 411 of this Red Herring Prospectus for details of the impact of tax on IDR Holders.

The pre-rights dividends (in US$ cents) paid on each Share in respect of the last five years are as follows:

Period	*Date of recommendation/ declaration*	*Date payable*	*Dividend per Share (US$ cents)*	*Dividend per Share (Rs.)*	*Dividend yield (p.a.)**
2009 Final	3 March 2010	13 May 2010	44.80	20.91	3.5%
2009 Interim	4 August 2009	8 October 2009	21.23	9.91	
2008 Final	3 March 2009	15 May 2009	42.32	19.75	2.6%
2008 Interim	5 August 2008	9 October 2008	25.67	11.98	
2007 Final	26 February 2008	16 May 2008	56.23	26.26	2.5%
2007 Interim	7 August 2007	10 October 2007	23.12	10.79	
2006 Final	27 February 2007	11 May 2007	50.21	23.44	2.8%
2006 Interim	8 August 2006	11 October 2006	20.83	9.72	
2005 Final	2 March 2006	12 May 2006	45.06	21.03	3.2%
2005 Interim	8 August 2005	14 October 2005	18.94	8.84	
2004 Final	16 February 2005	13 May 2005	40.44	18.88	3.4%
2004 Interim	4 August 2004	8 October 2004	17.06	7.96	
2003 Final	18 February 2004	14 May 2004	36.49	17.03	4.0%
2003 Interim	6 August 2003	10 October 2003	15.51	7.24	

* Dividend yield indicates the pay-outs in dividends each year relative to the market share price. Dividend yield is calculated by dividing the dividend per share with the market price per share. Average market price for the period up to 30 June, 31 July to 31 December has been used for this calculation.

There have been no changes between the amount of the proposed dividend for the Shares for the periods set out in the table above and the amount of the dividend actually paid.

The post-rights dividends (in US$ cents) paid on each Share in respect of the last five years are as follows:

Period	*Date of recommendation/ declaration*	*Date payable*	*Dividend per Share (US$ cents)*	*Dividend per Share (Rs.)*	*Dividend yield (p.a.)**
2009 Final	3 March 2010	13 May 2010	44.80	20.91	3.5%
2009 Interim	4 August 2009	8 October 2009	21.23	9.91	
2008 Final	3 March 2009	15 May 2009	42.32	19.75	2.4%
2008 Interim	5 August 2008	9 October 2008	19.30	9.01	
2007 Final	26 February 2008	16 May 2008	42.28	19.74	1.9%
2007 Interim	7 August 2007	10 October 2007	17.38	8.11	
2006 Final	27 February 2007	11 May 2007	37.75	17.62	2.1%
2006 Interim	8 August 2006	11 October 2006	15.66	7.31	
2005 Final	2 March 2006	12 May 2006	33.88	15.82	2.4%
2005 Interim	8 August 2005	14 October 2005	14.24	6.65	
2004 Final	16 February 2005	13 May 2005	30.40	14.20	2.5%
2004 Interim	4 August 2004	8 October 2004	12.83	5.99	
2003 Final	18 February 2004	14 May 2004	27.44	12.81	3.0%
2003 Interim	6 August 2003	10 October 2003	11.66	5.44	

* Dividend yield indicates the pay-outs in dividends each year relative to the market share price. Dividend yield is calculated by dividing the dividend per share with the market price per share. Ex-dividend market price on the date of dividend declaration has been used for this calculation.

The dividends paid on each class of preference share of the Company in respect of the last five years are as follows:

	$7\frac{3}{8}$% preference shares of £1 each (US$m)*	*$8\frac{1}{4}$% preference shares of £1 each* (US$m)*	*6.409% preference shares of US$5 each** (US$m)*	*8.9% preference shares of US$5 each** (US$m)*	*7.014% preference shares of US$5 each** (US$m)*	*8.125% preference shares of US$5 each* (US$m)*
2009	11	13	48	N/A	53	75
2008	15	16	48	N/A	62	32
2007	15	16	28	N/A	—	N/A
2006	14	15	3	22	N/A	N/A
2005	14	15	N/A	29	N/A	N/A
Payable date	1 April and 1 October	1 April and 1 October	30 July and 30 January	Redeemed in 2005 and 2006	30 July and 30 January	27 May and 27 November

	Dividend per $7\frac{3}{8}$% preference share of £1 each (Rs.m)*	*Dividend per $8\frac{1}{4}$% preference share of £1 each* (Rs.m)*	*Dividend per 6.409% preference share of US$5 each** (Rs.m)*	*Dividend per 8.9% preference share of US$5 each** (Rs.m)*	*Dividend per 7.014% preference share of US$5 each** (Rs.m)*	*Dividend per 8.125% preference share of US$5 each* (Rs.m)*
2009	513.48	606.84	2,240.64	N/A	2,474.04	3,501.00
2008	700.20	746.88	2,240.64	N/A	2,894.16	1,493.76
2007	700.20	746.88	1,307.04	N/A	N/A	N/A
2006	653.52	700.20	140.04	1,026.96	N/A	N/A
2005	653.52	700.20	N/A	1,353.72	N/A	N/A

* Instruments which are classified as liabilities for which dividends are recorded as interest expense and accrued accordingly.

** Dividends on redeemable preference shares are recorded in the period in which they are declared.

BASIS FOR ISSUE PRICE

The Price Band and the minimum Bid lot will be decided by the Company in consultation with the book running lead managers and advertised at least one Business Day prior to the Bid Issue Opening Date. Projected earnings shall not be used as a justification of the Issue Price.

Qualitative Factors

For some of the qualitative factors which form the basis for computing the price, please see the sections titled "*Business*" on page 98 of this Red Herring Prospectus and "*Risk Factors*" on page 64 of this Red Herring Prospectus.

Quantitative Factors

The Company understands that the quantitative factors are listed below:

- **Basic and Diluted Earnings Per Share**

  Basic EPS of face value of US$0.50 each on a consolidated basis:

Basic EPS

	Basic EPS ($ cents)	*Basic EPS (Rs.)*	*Weight*
Fiscal 2007	176.0	82.16	1
Fiscal 2008	192.1	89.67	2
Fiscal 2009	167.9	78.38	3
WEIGHTED AVERAGE	177.3	82.77	

Diluted EPS

	Diluted EPS ($ cents)*	*Diluted EPS* (Rs.)*	*Weight*
Fiscal 2007	174.2	81.32	1
Fiscal 2008	191.1	89.21	2
Fiscal 2009	165.3	77.16	3
WEIGHTED AVERAGE	175.4	81.87	

* This excludes the impact of anti-dilutive options.

The basic EPS has been computed by dividing net profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year, in accordance with IAS 33.

The diluted EPS has been computed by dividing net profit attributable to equity shareholders, as restated, by the sum of the weighted average number of equity shares outstanding during the year considered for deriving basic EPS and the weighted average number of equity shares which could have been issued on the conversion of dilutive potential equity shares such as dilutive options and dilutive convertible preference shares, in accordance with IAS 33.

- **(a) Price/Earnings ratio in relation to Price Band**

  (i) On a standalone basis:

Particulars	*P/E at the lower end of Price Band (no. of times)*	*P/E at the higher end of Price Band (no. of times)*
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

(ii) On a consolidated basis:

Particulars	*P/E at the lower end of Price Band (no. of times)*	*P/E at the higher end of Price Band (no. of times)*
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

(b) P/E ratio for the industry is as follows:

Industry P/E	
Highest	29.31
Lowest	3.95
Industry Composite	16.77

(source: Bloomberg)

- **Normalized Return on Shareholder's Equity**

Year/Period	*RONW (%)*	*Weight*
Fiscal 2007	15.6%	1
Fiscal 2008	15.2%	2
Fiscal 2009	14.3%	3
WEIGHTED AVERAGE	14.8%	

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

- **Minimum Return on post-Issue Return on Shareholder's Equity Required to Maintain Pre-Issue EPS:**

Minimum Return on post-Issue Return on Shareholder's Equity required to maintain pre-Issue EPS is [●]%.

The projected earnings shall not be used as a justification for the Issue Price in this Red Herring Prospectus.

- **Net Asset Value per Equity Share**

Particulars	*Amount (US$)*	*Amount (Rs.)*
Net Asset Value per Equity Share (standalone) as of 31 December 2009	7.3	340.80
Net Asset Value per Equity Share (consolidated) as of 31 December 2009	13.5	630.24

The net asset value per equity share has been computed by dividing net worth excluding share application money and preference share capital at the end of the period by the number of equity shares outstanding at the end of the period.

- **Comparison of the Company with Peer Group (Industry Peers)**

  The peer group is a subset of the Group's peers in its main markets selected on the basis of size and nature of activities

Name of Company	*EPS (£)*	*EPS (Rs.)*	*Return on common equity*	*Book value per share (£)*	*Book value per share (Rs.)*	*Data as of and for 12 months ending*	*P/E ratio*	*Face value (£)*
Bank of East Asia Ltd.	0.11	8.25	7.62	1.52	114.05	Dec-09	20.39	0.19
China Merchants Bank Co.	0.09	6.75	28.58	0.42	31.37	Dec-08	19.01	0.08
Citigroup Inc.	(0.51)	(38.27)	-4.22	3.31	248.36	Dec-09	na	0.01
DBS Group Holdings Ltd	0.40	30.01	9.1	4.87	365.41	Dec-09	15.45	—
Emirates NBD PJSC	0.10	7.40	11.63	0.97	72.78	Dec-09	3.95	0.17
Hang Seng Bank Ltd.	0.57	42.77	24.07	2.43	182.33	Dec-09	15.85	0.39
HSBC Holdings Plc.	0.23	17.26	5.26	4.56	342.15	Dec-09	29.31	0.50
ICICI Bank Ltd	0.41	30.76	7.82	5.79	434.60	Mar-09	24.72	0.12
Korea Exchange Bank	na	na	12.2	na	na	Dec-09	12.25	2.38
Public Bank Bhd	0.13	9.42	24.49	0.58	43.52	Dec-09	15.44	0.17
Standard Bank Group Ltd.	0.58	43.52	13.32	4.78	358.66	Dec-09	14.62	0.79
United Overseas Bank Ltd.	0.52	39.02	11.74	5.56	417.19	Dec-09	15.01	—
Standard Chartered Plc.	1.04	78.38	13.25	8.36	627.28	Dec-09	15.27	0.30

  (source: Bloomberg)

  Bloomberg definitions of the above metrics are as per below:

  EPS: Bottom line earnings per share. Includes the effect of all one time, non-recurring and extraordinary gains and losses divided by basic weighted average shares excluding the effect of convertibles

  Note: For HSBC Plc and Standard Chartered PLC, this is net earnings before extraordinary items divided by basic weighted average shares excluding the effect of convertibles

  P/E ratio: For all countries not otherwise mentioned below, it is calculated as last price divided by trailing 12-month EPS (up to last date of the month mentioned in the last column) before extra ordinary items or basic EPS before extra ordinary items if only annual earnings exist.

  For US/Canada: Calculated as last price divided by trailing 12-month diluted EPS from continuing operations

  For South Africa: Calculated as last price divided by trailing 12-month special EPS

  Return on common equity: Calculated as trailing 12-month net income minus trailing 12-month cash preferred dividends divided by average of total common equity times 100. Total common equity equals Share capital+Additional paid in capital+Retained earnings

  Book value per share: Share capital+Additional paid in capital+Retained earnings/Number of shares outstanding. Additional paid in capital refers to Share premium. Data as of the last date of the month mentioned in the last column

The Issue Price of Rs. [●]* per IDR has been determined by the Company, in consultation with the BRLMs, on the basis of assessment of market demand for the offered securities by way of the Book Building Process and is justified in view of the above mentioned qualitative and qualitative factors. For further details, see the section titled "*Risk Factors*" on page 64 and the financial statements of the Company, including profitability and return ratios, as set out in the Selected Financial Information on page 481 for a more informed view.

* A discount of 5% to the Issue Price determined pursuant to the Book Building Process may be offered to the Retail Individual Bidders and the Eligible Employees whose Bid Amount does not exceed Rs. 100,000.

MARKET PRICE INFORMATION

The Company's outstanding Shares are currently listed and traded on the London Stock Exchange and Hong Kong Stock Exchange. For information regarding conditions in the UK and Hong Kong securities markets, see the sections titled "*The UK Securities Market*" on page 449 of this Red Herring Prospectus and "*The Hong Kong Securities Market*" on page 457 of this Red Herring Prospectus.

As of 5 May 2010, 2,029,435,637 Shares were outstanding. The prices for the equity shares as quoted in the Official List of the London Stock Exchange and the Hong Kong Stock Exchange are in GBP and HKD, respectively. The following table shows:

- the reported high and low trading prices quoted in GBP and HKD for the Shares on the London Stock Exchange and the Hong Kong Stock Exchange;
- the imputed high and low trading prices for the Shares, translated into Rs., for GBP based on the noon buying rate of the RBI, for HKD based data published by Bloomberg, in each case on the last Business Day of each period presented; and
- the average of the aggregate trading volume of the Shares on the London Stock Exchange and the Hong Kong Stock Exchange.

London Stock Exchange

Fiscal Year	*High (£)*	*Low (£)*	*High (Rs.)*	*Low (Rs.)*	*Average Daily Trading Volume*
2006					
First quarter	15.40	12.96	1,245.71	1,048.33	8,209,368
Second quarter	15.24	12.15	1,232.76	982.81	8,536,908
Third quarter	13.97	12.28	1,130.03	993.33	7,221,099
Fourth quarter	15.25	13.58	1,233.57	1,098.49	6,998,366
2007					
First quarter	15.52	13.66	1,255.41	1,104.96	9,417,760
Second quarter	17.27	14.50	1,396.97	1,172.91	9,398,625
Third quarter	17.08	14.44	1,381.60	1,168.05	13,614,604
Fourth quarter	19.60	15.88	1,585.44	1,284.53	8,748,208
2008					
First quarter	15.05	12.04	1,205.23	963.92	9,271,197
Second quarter	15.57	11.82	1,247.25	946.69	7,969,771
Third quarter	13.45	10.39	1,077.11	831.76	10,082,667
Fourth quarter	11.66	5.67	933.97	454.29	7,392,685
2009					
First quarter	9.52	5.59	714.39	419.77	10,755,952
Second quarter	12.76	8.74	957.37	655.60	8,495,215
Third quarter	15.44	11.20	1,158.52	840.67	5,649,733
Fourth quarter	16.90	14.37	1,267.69	1,078.23	5,224,115
2010					
First quarter	18.46	14.03	1,385.12	1,052.72	5,779,877

Month	*High (£)*	*Low (£)*	*High (Rs.)*	*Low (Rs.)*	*Average Daily Trading Volume*
May 2009	12.76	10.50	957.37	787.90	7,518,427
June 2009	12.56	11.24	942.51	843.65	6,123,240
July 2009	14.08	11.20	1,056.24	840.67	5,366,491
August 2009	14.30	13.16	1,072.98	987.11	6,895,987
September 2009	15.44	13.58	1,158.52	1,018.95	4,812,890
October 2009	16.05	14.78	1,204.29	1,108.99	4,863,710
November 2009	16.90	14.84	1,267.69	1,113.50	5,762,782
December 2009	15.90	14.37	1,193.03	1,078.23	5,063,014
January 2010	16.37	14.28	1,228.30	1,071.48	5,770,741
February 2010	15.62	14.03	1,172.02	1,052.72	4,983,117
March 2010	18.46	14.99	1,385.12	1,124.83	6,480,655
April 2010	18.25	17.31	1,368.98	1,298.83	4,434,617

Hong Kong Stock Exchange

Fiscal Year	*High (HK$)*	*Low (HK$)*	*High (Rs.)*	*Low (Rs.)*	*Average Daily Trading Volume*
2006					
First quarter	209.20	177.10	1,165.87	986.98	77,120
Second quarter	214.60	178.60	1,195.97	995.34	67,021
Third quarter	207.20	177.90	1,154.73	991.44	72,910
Fourth quarter	233.40	200.00	1,300.74	1,114.60	83,184
2007					
First quarter	239.00	208.00	1,331.95	1,159.18	120,474
Second quarter	269.60	224.40	1,502.48	1,250.58	141,533
Third quarter	273.00	227.20	1,521.43	1,266.19	310,882
Fourth quarter	314.20	253.60	1,751.04	1,413.31	210,857
2008					
First quarter	231.93	176.75	1,433.58	1,092.49	191,649
Second quarter	233.91	185.24	1,445.79	1,144.96	168,954
Third quarter	204.45	150.34	1,263.67	929.22	354,681
Fourth quarter	159.12	72.25	983.52	446.60	518,957
2009					
First quarter	109.27	64.37	655.60	386.24	1,322,248
Second quarter	160.51	94.28	963.06	565.65	1,127,804
Third quarter	192.40	141.09	1,154.40	846.54	854,900
Fourth quarter	217.80	182.20	1,306.80	1,093.20	814,810
2010					
First quarter	210.40	169.90	1,268.50	1,024.33	693,831

Month	*High (HK$)*	*Low (HK$)*	*High (Rs.)*	*Low (Rs.)*	*Average Daily Trading Volume*
March 2009	106.02	64.37	636.10	386.24	1,667,700
April 2009	117.01	94.28	702.08	565.65	1,483,255
May 2009	155.16	125.83	930.96	754.99	1,295,722
June 2009	160.51	143.47	963.06	860.81	659,646
July 2009	181.81	141.09	1,090.87	846.54	649,336
August 2009	184.79	173.20	1,108.71	1,039.20	1,289,105
September 2009	192.40	170.60	1,154.40	1,023.60	645,995
October 2009	208.60	183.50	1,251.60	1,101.00	615,879
November 2009	217.80	185.50	1,306.80	1,113.00	793,880
December 2009	199.70	182.20	1,198.20	1,093.20	1,015,635
January 2010	203.40	179.20	1,220.40	1,075.20	626,464
February 2010	187.10	169.90	1,122.60	1,019.40	582,102
March 2010	210.40	176.84	1,268.50	1,066.15	839,852
April 2010	218.80	205.00	1,319.15	1,235.95	476,479

London Stock Exchange

Month	*Opening Price (£)*	*Closing Price (£)*	*Opening Price (Rs.)*	*Closing Price (Rs.)*	*Exchange rate*	*Trading Volume*
30 April 2010	17.70	17.57	1,209.14	1,200.263	68.31	6,041,794

Hong Kong Stock Exchange

Month	*Opening Price (HK$)*	*Closing Price (HK$)*	*Opening Price (Rs.)*	*Closing Price (Rs.)*	*Exchange rate*	*Trading Volume*
30 April 2010	208.80	215.00	1,197,05	1,232.60	5.73	739,998

(source: Bloomberg)

SELECTED STATISTICAL INFORMATION

Analysis of Changes in Interest Income and Interest Volume and Rate Analysis	See the section titled *"Management Discussion and Analysis of the Financial Condition and Results of Operations"* at pages 127 and 187
Total Deposits including geographic distribution	See Notes 34 and 33 under the section titled "*Audited Historical Financial Statements*" on pages 662 and 767 of this Red Herring Prospectus
Total Borrowings	See the section titled "*Capitalisation Statement*" on page 322 of this Red Herring Prospectus
Asset-Liability Gap	See Notes 46, 49 and 47 under the section titled "*Audited Historical Financial Statements*" on pages 589, 690 and 793 of this Red Herring Prospectus
Loan Portfolio	See Notes 48, 51 and 49 under the section titled "*Audited Historical Financial Statements*" on pages 593, 694 and 796 of this Red Herring Prospectus
Industry-Wise Exposure	See sections titled "*Loan Portfolio*" on pages 149 to 153 and 214 to 217 of this Red Herring Prospectus
Non-performing Assets	See "*Problem Credit Management and Provisioning*" in the section titled "*Management Discussion and Analysis of the Financial Condition and Results of Operations*" at pages 155 and 221 of this Red Herring Prospectus
Provisioning and Write-offs	See Notes 20, 21 and 20 under the section titled "*Audited Historical Financial Statements*" on pages 543, 645 and 750 of this Red Herring Prospectus
Capital Adequacy Ratios	See the section titled "*Management Discussion and Analysis of the Financial Condition and Results of Operations*" on pages 176 to 182 and 235 to 239 of this Red Herring Prospectus
Fixed Rate and Floating Rate Liabilities	See Notes 34, 38 and 37 under the section titled "*Audited Historical Financial Statements*" on pages 563, 672 and 776 of this Red Herring Prospectus

	2007	*2008*	*2009*
Interest income	16,176	16,378	12,926
Average interest-earning assets	251,747	299,239	328,688
Interest expense	9,911	8,991	5,303
Average interest-bearing liabilities	219,191	275,996	298,365
Net interest income	6,265	7,387	7,623
Yield(1)	6.4%	5.5%	3.9%
Cost of funds(2)	4.5%	3.3%	1.8%
Spread(3)	1.9%	2.2%	2.2%
Net interest margin(4)	2.5%	2.5%	2.3%

Notes

* In US$ million.

(1) Yield of interest-earning assets.

(2) Cost of interest-bearing liabilities.

(3) Spread is the difference between yield on average interest-earning assets and cost of funds.

(4) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-bearing assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing assets is less than average interest-bearing liabilities, net interest margin is less than the spread.

USE OF PROCEEDS

It is expected that the total Issue Proceeds will be Rs. [●] million. After deducting underwriting and management fees, selling commissions and all other Issue-related expenses including listing fees of approximately Rs. [●] million, the net Issue Proceeds will be approximately Rs. [●] million.

Objects of the Issue

The objects of the Issue are:

- to provide Indian investors with an opportunity to invest in the Company and participate in its growth. The Company has been established in India for many years, is committed to India's future and believes that India will remain a growing and key market – the Issue demonstrates that commitment;
- to increase the market visibility and brand perception of the Company in India;
- to support growth across the Company's businesses globally. The current economic circumstances and related market dislocation have presented unique opportunities to deploy capital into selected areas where the competitive environment, pricing levels and returns are particularly attractive; and
- to widen the Company's investor base and to provide a new source of capital.

The net proceeds of the Issue shall be used entirely to meet the objects of the Issue.

Requirement and Sources of Funds

Requirement of Funds	*(Rs.m)*
To meet the objects of the Issue as mentioned above	[●] to [●]
Estimated Issue expenses	[●]
Total	[●] to **[●]**

Sources of Funds	*(Rs.m)*
Proceeds of the Issue	[●] to [●]
Total	[●] to **[●]**

At its annual general meeting on 7 May 2010, the Company obtained shareholder approval to remove the object clause from its constitutional documents. Pursuant to this, the Company now has unrestricted objects and is therefore able to undertake the existing activities and the activities for which funds are being raised by it through this Issue. In accordance with the decision of the Board, Standard Chartered's management will have flexibility in deploying the net Issue Proceeds.

Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	*Expense (Rs.m)*
Lead management, underwriting commission*	[●]
Advertising and Marketing expenses	[●]
Printing and stationery	[●]
Others (Registrar's fee, legal fees etc.)	[●]
Total estimated Issue expenses	[●]

* will be incorporated after finalisation of Issue Price

TERMS AND CONDITIONS OF THE INDIAN DEPOSITORY RECEIPTS

The following terms and conditions (subject to amendment) will apply to Dematerialised IDRs and certificated IDRs and, in the case of certificated IDRs, will be endorsed on each IDR Certificate. By applying for, acquiring or holding an IDR, an IDR Holder will be treated as having agreed to hold the IDR subject to these terms and conditions, as amended from time to time as provided herein and subject to the terms of the Deposit Agreement (as defined below).

10 IDRs representing one ordinary share of par value USD 0.50 (the "Shares") in Standard Chartered PLC (the "Company") pursuant to and subject to an agreement dated 8 May 2010, and made between the Company and Standard Chartered Bank, Mumbai in its capacity as depository (the "Domestic Depository" which expression shall include any successor to Standard Chartered Bank, Mumbai in its capacity as such) in relation to the issue of the IDRs (such agreement, as amended from time to time, being hereinafter referred to as the "Deposit Agreement").

Pursuant to the provisions of the Deposit Agreement, the Domestic Depository has appointed The Bank of New York Mellon as Overseas Custodian (the "Overseas Custodian" which expression shall include any successor to the Bank of New York Mellon in its capacity as such) to receive and hold on its behalf the Shares and such other Shares received by the Overseas Custodian in respect thereof and held pursuant to the terms of the Deposit Agreement (the "Deposited Shares") and all rights, interests and other securities, property and cash deposited with the Overseas Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "Deposited Property").

References in these terms and conditions (the "Conditions") to the "IDR Holder" of any IDR shall mean the person or persons registered on the register of IDR Holders maintained or caused to be maintained by the Domestic Depository (the "Register") under the Deposit Agreement.

References to the "Domestic Depository Office" mean the office of the Domestic Depository at 90 Mahatma Gandhi Road, Fort, Mumbai, 400001. References to the "Registrar Office" mean the office of the Registrar at 17-24, Vithalrao Nagar, Madhapur, Hyderabad, 500 081.

The Domestic Depository shall hold the Deposited Property for the benefit of the IDR Holders as a bare trustee under English law in proportion to their holdings of IDRs.

These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which include the form of the IDR Certificate. Copies of the Deposit Agreement are available for inspection at the Domestic Depository Office and the Deposit Agreement which includes a copy of these Conditions and the Deed Poll is also available on the website of the Company and the Domestic Depository. The Conditions are also available on the website of the Registrar. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement.

The Deed Poll executed by the Company in favour of the IDR Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any IDR Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the "Domestic Depository" in respect of that number of Deposited Shares or part thereof to which the IDRs of which he is the IDR Holder relate. The Domestic Depository has only those duties, obligations and responsibilities that are expressly specified in the Deposit Agreement and the Conditions and, other than holding the Deposited Property as a bare trustee under English law, does not assume any relationship of trust for or with the IDR Holders or any other person.

All and any of the provisions of the Deed Poll may at any time and from time to time be amended by the Company and, if required, with the approval of such regulatory authority as deemed necessary or desirable by the Company. Notice of any amendment of the Deed Poll shall be duly given to the IDR Holders by the Company and any amendment shall not become effective until the expiry of three (3) months after such notice shall have been given. During such period of three (3) months, each IDR Holder shall be entitled to obtain delivery of the Deposited Property related to each IDR held by it upon surrender thereof, free of charge, but otherwise in accordance with the provisions relating to withdrawal in the Deposit Agreement. Each IDR Holder at the time when any such amendment so becomes effective shall be deemed, by continuing to hold an IDR, to approve such amendment and to be bound by the terms thereof in so far as it affects the rights of the IDR Holders.

The Deposit Agreement has been drafted, as far as has been possible, taking into account the expectations of the Indian market, the IDR Rules, the SEBI Regulations, the IDR Listing Agreement and the practice followed in international capital markets in relation to depository receipts program governed by English law. English law has been adopted as the governing law because the principles that would normally underlie an international depository receipt programme are not well-established under Indian law.

1. DEPOSIT OF SHARES

1.1 Domestic Depository holds Shares for the benefit of IDR Holders

The Domestic Depository holds all Deposited Property for the benefit of the IDR Holders as a bare trustee under English law in proportion to the number of Shares or part thereof in respect of which the IDRs held by them are issued.

1.2 Further deposits of Shares

After the initial deposit of Shares by the Company in connection with the issue of the IDRs, unless otherwise agreed by the Domestic Depository and the Company and permitted by applicable law, neither the Company nor any IDR Holder may deposit any Shares with the Domestic Depository except for:

(A) Shares issued as a dividend or free distribution on Deposited Shares pursuant to Condition 5;

(B) Shares subscribed to or acquired by IDR Holders from the Company through the exercise of rights distributed by the Company to such persons in respect of Deposited Shares pursuant to Condition 6; and

(C) any other securities issued by the Company to the IDR Holders in respect of Deposited Shares as a result of any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or otherwise pursuant to Condition 10.

Any such deposit permitted by Conditions 1.2(A), (B) or (C) will be subject to receipt by the Domestic Depository of:

(i) (at the cost of the Company) any written opinion reasonably required by the Domestic Depository in relation to such deposit from legal counsel in any applicable jurisdiction; and

(ii) a Company Certificate in respect of such further Shares.

Following any such deposit permitted by Conditions 1.2(A), (B) or (C), the Domestic Depository must issue IDRs or, as applicable, credit relevant accounts with Dematerialised IDRs in respect of Shares accepted for deposit under this Condition to the relevant IDR Holders as soon as possible and make the necessary adjustment to the records in accordance with Condition 1.3.

1.3 Adjustment to records

Subject to these Conditions and applicable law, upon deposit with the Overseas Custodian of the Shares, delivery by the Company to the Domestic Depository of a Company Certificate and payment of necessary taxes, governmental charges (including transfer taxes) and other charges by the relevant IDR Holder, the Domestic Depository will cause the Register to be updated for the number of IDRs issued in respect of the Shares so deposited and will either:

(A) credit or arrange the crediting of relevant accounts with additional Dematerialised IDRs or issue or arrange the issue of IDR Certificates in respect of the additional IDRs; and

(B) notify SEBI and the Indian Stock Exchanges of any such increase, if applicable.

1.4 Refusal of deposit

Notwithstanding anything contained in Condition 1.2:

(A) the Domestic Depository may refuse to accept Shares for deposit with the Overseas Custodian whenever it is notified in writing that the Company has restricted the transfer of such Shares to comply with ownership restrictions under any applicable law or that such deposit would result in any violation of any applicable law or any applicable governmental or stock exchange regulations; and

(B) the Domestic Depository may refuse to accept Shares and/or other securities for deposit with the Overseas Custodian if such refusal is deemed necessary or desirable or advisable by the Domestic Depository, in good faith, at any time or from time to time because of any requirement of law or of any government or governmental authority, body or commission, or stock exchange or under any provision of the Deposit Agreement.

2 WITHDRAWAL OF DEPOSITED PROPERTY

2.1 Limitation on withdrawal of Deposited Property

Deposited Property may only be withdrawn subject to applicable law and to the provisions of this Condition 2.

2.2 Request for withdrawal

Subject to this Condition and Condition 2.1, any IDR Holder may request withdrawal of, and the Domestic Depository must upon request relinquish, the Deposited Property attributable to any IDR, upon production by the IDR Holder at the Registrar Office of:

(A) such evidence that such person is the holder of, and entitled to, the relevant IDR as the Domestic Depository may reasonably require, including the IDR Certificate (if any);

(B) a duly executed Withdrawal Order or, if permitted, an electronic certification in lieu of such Withdrawal Order, requesting the withdrawal of the Deposited Property and requesting the Domestic Depository to arrange the delivery of such Deposited Property either to a nominated securities account maintained by the IDR Holder's agent or (if such method of delivery is reasonably practicable) to:

  (i) the Registrar Office; or

  (ii) the office of any other person or persons designated in such Withdrawal Order (at the request, risk and expense of the IDR Holder); and

(C) such fees, duties, charges and expenses as may be required under these Conditions or any applicable law

provided that where an IDR represents a fraction of a Share, a request for withdrawal of Deposited Property may only be made in respect of such number of IDRs as would together represent a whole number of Shares.

2.3 Restrictions

Certificates (if issued) for withdrawn Deposited Shares will contain such legends (including, if applicable, the legend required in respect of the US Securities Act of 1933, as amended (the "Securities Act")), and withdrawals of Deposited Shares may be subject to such further transfer restrictions or certifications as the Company or the Domestic Depository may from time to time determine to be necessary for compliance with applicable laws.

2.4 Refusal to register withdrawal

The board of directors of the Company may in certain circumstances refuse to register the transfer of Deposited Shares from the name of the Overseas Custodian or its nominee where such transfer is in violation of any applicable law.

2.5 Procedure for withdrawal

Upon production of such documentation and the making of such payment as aforesaid in accordance with Condition 2.2, the Domestic Depository must direct the Overseas Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from an IDR Holder, to deliver as instructed in the Withdrawal Order:

(A) the Deposited Shares, either by:

  (i) for Deposited Shares that are held in dematerialised form: transferring such Deposited Shares in accordance with the rules and procedures of the relevant Settlement System to, or to the order in writing of, the person or persons specified in the Withdrawal Order; or

(ii) for Deposited Shares that are held in certificated form: delivery of a certificate for, or other appropriate instrument of title to, the relevant Deposited Shares, registered in the name of the Overseas Custodian or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the Withdrawal Order and such other documents, if any, as are required by law for the transfer of the Deposited Shares; and

(B) all other property forming part of the Deposited Property attributable to such IDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid.

2.6 Cancellation of IDRs

Prior to completion of the withdrawal of any Deposited Shares and Deposited Property in accordance with Condition 2.5, the Domestic Depository must cancel the IDRs representing such Deposited Shares and Deposited Property by:

(A) arranging for the Register to be amended to record the cancellation of such IDRs and, if the relevant IDRs are represented by an IDR Certificate, destroying the relevant IDR Certificate; and

(B) taking any other action necessary to effect the cancellation of the IDRs, including notifying the Security Depositories if applicable.

IDR Holders whose IDRs are cancelled in accordance with this Condition 2.6 will no longer be entitled to any benefits under these Conditions or the Deed Poll and will have no valid or enforceable rights against the Domestic Depository or the Company for any purpose.

2.7 Delivery subject to applicable laws

Delivery by the Domestic Depository and the Overseas Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any applicable laws or regulations.

2.8 Suspension of withdrawal

(A) The Domestic Depository may suspend or restrict the withdrawal of all or any category of Deposited Property during any period when the register of shareholders or other relevant holders of other securities of the Company is closed, generally or in one or more localities, or in order to comply with the Deposit Agreement or with any applicable law or governmental or stock exchange regulations on which the IDRs or the Shares are listed.

(B) The Domestic Depository shall restrict the withdrawal of Deposited Shares whenever it is notified in writing that such withdrawal would result in a breach of ownership restrictions under applicable law.

3 OWNERSHIP AND TRANSFER

3.1 Ownership and transfer

(A) The IDRs are in registered form, each corresponding to one tenth of a Share.

(B) Title to IDRs represented by IDR Certificates passes by registration in the Register.

(C) Title to Dematerialised IDRs is evidenced by the Register and title to such IDRs passes in accordance with the procedures of the relevant Security Depositories.

(D) The Domestic Depository will refuse to accept for transfer any IDRs if such transfer would result in a violation of applicable laws.

(E) Except as required by law, no person shall be recognised as holding any IDR upon any trust and neither the Domestic Depository nor the Company shall be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any IDR, or any interest in any fractional part of an IDR or any other right in respect of any IDR except an absolute right to the whole of the IDR in the registered holder (as shown on the Register).

(F) The Register is conclusive as regards the information set out therein and shall be used for all purposes, including determining ownership and/or entitlements in respect of IDRs.

(G) The Domestic Depository and the Company shall be entitled to rely on the latest available registered holding position in respect of the Dematerialised IDRs received from the Security Depositories from time to time as being an accurate record of holdings from time to time of Dematerialised IDRs. Neither the Company nor the Domestic Depository shall be liable for any failure by any Security Depository to transmit information as regards Dematerialised IDRs correctly or at all.

3.2 Restriction on transfers

Other than in accordance with applicable laws, IDRs may not be offered, sold, pledged or otherwise transferred to any person located in any jurisdiction outside of India or resident in any jurisdiction outside of India, or to, or for the account or benefit of, such person.

3.4 Circumstances where IDR Certificates will be issued

(A) IDR Holders shall submit requests in writing to the Security Depositories for exchange of their Dematerialised IDRs for IDR Certificates. On receipt of notification from a Security Depository that an IDR Holder has made a request, the Domestic Depository will exchange, or will arrange the exchange of, any Dematerialised IDRs for an IDR Certificate representing such IDRs registered in the name of the relevant IDR Holder in exchange for that IDR Holder's interest in such Dematerialised IDRs, subject to payment by the IDR Holder of any relevant fees, taxes, duties, charges, costs and expenses to the Domestic Depository.

(B) If at any time when Deposited Shares are represented by Dematerialised IDRs, (i) any Security Depository advises the Domestic Depository in writing at any time that it is unwilling or unable to continue as a security depository and a successor security depository is not appointed within 90 calendar days of such notice; or (ii) any Security Depository is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and no alternative clearing system satisfactory to the Domestic Depository is available within 45 days of such announcement; or (iii) the Domestic Depository has determined that, on the occasion of the next payment in respect of the IDRs, the Domestic Depository or its agent would be required to make any deduction or withholding from any payment in respect of the IDRs which would not be required were the IDRs represented by IDR Certificates (provided that the Domestic Depository shall have no obligation to so determine or to attempt to so determine), the Domestic Depository will, within 60 days, make, or arrange to make, IDR Certificates available subject to and in accordance with the provisions of the Deposit Agreement. Any such exchange shall be at the expense (including printing costs) of the Company.

4 CASH DISTRIBUTIONS

4.1 Conversion of cash distributions

If the Domestic Depository receives any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Domestic Depository shall as soon as practicable convert the same into Indian Rupees in accordance with Condition 8.

4.2 Entitlement, notification and payment

The Domestic Depository shall, in accordance with the requirements of the IDR Listing Agreements, distribute any amounts referred to in Condition 4.1 to the IDR Holders in proportion to the number of Deposited Shares (or part thereof) represented by the IDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11:

(A) in the event that any Deposited Shares shall not be entitled, by reason of the date of issue or transfer or otherwise, to such a distribution, the amount so distributed to the relative IDR Holders shall be adjusted accordingly; and

(B) the Domestic Depository will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any IDR a fraction of the lowest integral unit of currency in which the distribution is made by the Domestic Depository and any balance remaining shall be held by the Domestic Depository (without liability for interest on such amount) and added to and become part of the next sum received by the Domestic Depository for distribution to IDR Holders outstanding at the time of the next distribution.

5 DISTRIBUTIONS OF SHARES AND OTHER PROPERTY

5.1 Distributions of Shares

Subject to the limitation set out in Condition 5.3, if the Domestic Depository receives any distribution in respect of Deposited Shares which consists of a dividend in, or free distribution or bonus issue of, Shares, the Domestic Depository shall cause to be distributed to the IDR Holders entitled thereto, in proportion to the number of Deposited Shares (or part thereof) represented by the IDRs held by them respectively, additional IDRs representing an aggregate number of Shares received pursuant to such dividend or distribution. Such additional IDRs shall be distributed by an increase in the number of IDRs in the records of the Security Depositories or an issue of IDR Certificates in respect of the additional IDRs, according to the manner in which the IDR Holders hold their IDRs.

5.2 Distributions of other property

Subject to the limitation set out in Condition 5.3, if the Domestic Depository receives any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Domestic Depository shall cause to be distributed such securities or other property to the IDR Holders entitled thereto, in proportion to the number of Deposited Shares (or part thereof) represented by the IDRs held by them respectively, in any manner that the Domestic Depository may deem equitable and practicable for effecting such distribution, subject to applicable laws.

5.3 Limitation on distributions of Shares and other property

If and in so far as the Domestic Depository deems any such distribution to all or any IDR Holders not to be reasonably practicable (including, without limitation, owing to the fractions which would otherwise result or to any requirement that the Company, the Overseas Custodian or the Domestic Depository withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Domestic Depository shall sell such Shares, securities or other property so received (either by public or private sale and otherwise at its discretion, subject to prior consultation with the Company and applicable laws and regulations) and distribute the net proceeds of such sale as a cash distribution to the IDR Holders entitled thereto in accordance with Condition 29.11.

6 RIGHTS ISSUES

6.1 Notice of rights issues

If the Company announces its intention to make any offer or invitation to the Company's shareholders to subscribe for or to acquire Shares, securities or other assets by way of rights, the Domestic Depository shall as soon as practicable and, in any event, no less than 10 days before the date set by the Company for final acceptance, give notice to the IDR Holders of such offer or invitation specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof (being a date at least 3 Business Days prior to the date set by the Company for final acceptance thereof), and the manner by which and time during which IDR Holders may request the Domestic Depository to exercise such rights as provided below or, if such be the case, give details of how the Domestic Depository proposes to distribute the rights or the proceeds of sale.

6.2 Dealing with rights issues

The Domestic Depository will deal with such rights in accordance with the following paragraphs:

(A) the Domestic Depository may make arrangements, in compliance with applicable law, whereby the IDR Holders may, upon payment of the subscription price in Indian Rupees (including, subject to applicable law, any additional amount in respect of such subscription price to ensure that the Domestic Depository will, after conversion of such Indian Rupees into the currency by which subscriptions may be made, have sufficient funds to satisfy (in its opinion acting in good faith) the subscription price taking account of any possible fluctuations in rates of foreign currency exchange), or other currency (where appropriate) together with such fees, taxes, duties, charges, costs and expenses as may be required under applicable law and completion of such undertakings, declarations, certifications and other documents as the Domestic Depository may reasonably require, request the Domestic Depository to exercise such rights on their behalf with respect to the Deposited Shares and in the case of Shares so subscribed or acquired to distribute them (together with any excess amounts paid to the Domestic Depository to cover possible fluctuations in rates of foreign currency exchange) to the IDR Holders entitled thereto by an increase in the number of IDRs in the records of the Security Depositories or an issue of IDR Certificates in respect of the additional IDRs, according to the manner in which the IDR Holders hold their IDRs;

(B) the Domestic Depository may, in compliance with applicable law, distribute or arrange the distribution of such securities or other assets by way of rights or the rights themselves to the IDR Holders entitled thereto in proportion to the number of Deposited Shares (or, where possible, part thereof) represented by the IDRs held by them respectively in such manner as the Domestic Depository may determine;

(C) the Domestic Depository may, if permitted by the terms of the rights issue and applicable law, make arrangements for IDR Holders to subscribe for any additional rights which are available due to lack of take-up by other holders of Shares; or

(D) if the Domestic Depository is not satisfied that the arrangements described in paragraphs (A), (B) and/or (C) above are lawful or practicable (for reasons outside its control), or if there are rights to which IDR Holders are not entitled because of fractional entitlements to Shares, the Domestic Depository may notify the IDR Holders of such conclusion and sell such rights (either by public or private sale and otherwise at its discretion, subject to prior consultation with the Company and all applicable laws and regulations) and distribute the net proceeds of such sale as a cash distribution to the IDR Holders entitled thereto in accordance with Condition 29.11 except to the extent prohibited by applicable law.

6.3 Circumstances when rights may lapse

If at the time of the offering of any rights, at its discretion, subject to prior consultation with the Company, the Domestic Depository shall be satisfied that it is not lawful or practicable (for reasons outside its control) to deal with the rights in any manner provided in Condition 6.2(A), (B) or (C) above, and the actions described under Condition 6.2(D) above are prohibited by applicable law, the Domestic Depository shall permit the rights (or, as applicable, the relevant rights) to lapse and shall notify the IDR Holders of such decision.

6.4 Legal opinions

The Domestic Depository may reasonably request, in circumstances where the Domestic Depository is of the reasonable opinion that there is a genuine need for such legal opinion, at the Company's expense, an opinion from any counsel of any relevant jurisdiction reasonably satisfactory to the Domestic Depository to determine whether any action contemplated by the Domestic Depository under this Condition 6 would be lawful under the applicable laws of such relevant jurisdiction.

7 REGISTRATION OF RIGHTS

If the Company notifies the Domestic Depository that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under these Conditions or the securities to which such rights relate, in order for the Domestic Depository to offer such rights or distribute such securities or other property to the IDR Holders and to sell the securities represented by such rights, the Domestic Depository will not offer such rights or distribute such securities or other property to IDR Holders or sell such securities unless and until the Company procures, at the Company's expense, the receipt by the Domestic Depository of an opinion from counsel reasonably satisfactory to the Domestic Depository that the necessary registration has been effected or that the offer and sale of such rights, securities or property to IDR Holders are exempt from registration. Neither the Company nor the Domestic Depository shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

8 CONVERSION OF FOREIGN CURRENCY

8.1 Conversion

If the Domestic Depository receives any currency other than Indian Rupees, by way of dividend or other distribution or as the net proceeds from the sale of securities or other property rights, the Domestic Depository may, if reasonably practicable, and subject to applicable law and regulation, convert or cause to be converted, by sale or in any other manner that it may reasonably determine, the currency so received into Indian Rupees and shall promptly distribute such Indian Rupees in accordance with these Conditions. The Domestic Depository undertakes that, in the event that a conversion or distribution can only be effected with the approval or licence of any government or agency thereof, the Domestic Depository will take reasonable efforts to apply or procure that an application is made for such approval or license.

8.2 Distribution of foreign currency

If the Domestic Depository determines that conversion in accordance with Condition 8.1 is impractical, the Domestic Depository may distribute any foreign currency received by it (or an appropriate document evidencing the right to receive such other currency) to the IDR Holders entitled thereto to the extent permitted under applicable law, or the Domestic Depository may in its discretion hold such other currency for the benefit of the IDR Holders entitled thereto.

8.3 Part conversion

If conversion of any such currency can be effected in whole or in part for distribution to some (but not all) IDR Holders entitled thereto, the Domestic Depository may at its discretion make such conversion and distribution in Indian Rupees to the extent possible to the IDR Holders entitled thereto and may distribute the balance of such other currency received by the Domestic Depository to, or hold such balance on non-interest bearing accounts for the account of, the IDR Holders entitled thereto and notify the IDR Holders accordingly.

9 DISTRIBUTION OF ANY PAYMENTS

9.1 Record date

Any distribution will be made or be arranged to be made by the Domestic Depository to those IDR Holders who are IDR Holders of record on the record date established by the Domestic Depository (which shall be the same date as the corresponding record date set by the Company in respect of the Shares or, if different from the record date set by the Company, shall be set after consultation with the Company and shall be as near as practicable to any record date set by the Company) for that purpose and, if practicable in the opinion of the Domestic Depository, notice shall be given promptly to IDR Holders, in each case subject to any laws or regulations applicable thereto, and, save to the extent provided in Condition 8.2, distributions will be made in Indian Rupees by cheques, pay orders or demand drafts and payable at par at the place where the IDR Holders reside as per the last available address with the Registrar or in such other manner as permitted by applicable laws.

9.2 Deductions

The Domestic Depository may deduct and retain from all monies due in respect of such IDR in accordance with these Conditions all fees, taxes, duties, charges, costs and expenses which may become or have become payable by the relevant IDR Holder under these Conditions or under applicable law or regulation in respect of such IDR or the relative Deposited Property.

9.3 Delivery subject to applicable laws

Delivery of any securities, certificates, instruments, dividends or other property or rights forming part of the Deposited Property shall be made as soon as practicable to the entitled IDR Holder, subject to any laws or regulations applicable thereto.

Any securities, certificates, instruments, dividends or other property or rights forming part of the Deposited Property sent in accordance with these Conditions (other than to the Registrar Office in accordance with Condition 2.2(B)) will be sent at the risk of the IDR Holder. Neither the Company nor the Domestic Depository will be responsible for any IDR Certificate lost or delayed in the course of delivery.

Any dividend or other sum payable in cash in respect of the Deposited Shares represented by an IDR Holder's IDRs may be paid by cheque, pay orders or demand drafts sent by post addressed to the IDR Holder at his registered address and payable at par at that location. Every cheque, pay orders or demand drafts shall, unless the IDR Holder otherwise directs, be made payable to the IDR Holder, and shall be sent at that IDR Holder's risk, and payment of the cheque, pay orders or demand drafts by the financial institution on which it is drawn shall constitute a good discharge to the Domestic Depository. In addition, any such dividend or other sum may be paid by any bank or other funds transfer system or such other means including, in respect of Dematerialised IDRs, by means of the facilities and requirements of the system(s) of the Security Depositories and to or through such person as the IDR Holder may in writing direct and the Domestic Depository may agree, and the making of such payment shall be a good discharge to the Domestic Depository and the Domestic Depository shall have no responsibility for any sums lost or delayed in the course of payment by any such system or other means or where it has acted on any such directions and accordingly, payment by any such system or other means shall constitute a good discharge to the Domestic Depository. Where a person is entitled by transmission to an IDR, any dividend or other sum payable by the Domestic Depository in respect of the Deposited Shares underlying the IDR may be paid as if he were a holder of the IDR and his address noted in the Register were his registered address.

9.4 Unclaimed distributions

If any distribution made by the Company with respect to the Deposited Property and received by the Domestic Depository shall remain unclaimed at the end of 12 years from the first date upon which such distribution is made available to IDR Holders in accordance with these Conditions, all rights of the IDR Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Domestic Depository shall (except for any distribution upon the liquidation of the Company, which remains unclaimed for such period as aforesaid, when the Domestic Depository shall retain the same) transfer an amount equal to that unclaimed distribution to the ''Investor Protection and Education Fund'' established pursuant to the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009.

10 CAPITAL REORGANISATIONS

Upon any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Domestic Depository shall as soon as practicable give notice of such event to the IDR Holders and may (and shall, if the Company shall so request in writing) adopt either one or more of the following options: (i) treat such event as a distribution and comply with the relevant provisions of these Conditions with respect to such distribution; or (ii) execute and deliver additional IDRs in respect of Shares; or (iii) require the exchange of existing IDRs for new IDRs which reflect the effect of such change.

11 TAXATION AND AUTHORISATIONS

11.1 Withholding taxes

Payments to IDR Holders of dividends or other distributions made to IDR Holders on or in respect of the Deposited Shares will be subject to deduction of applicable withholding taxes, if any, at the applicable rates.

11.2 Authorisations etc

(A) If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law by the Domestic Depository in order for the Domestic Depository to receive from the Company Shares or other securities to be deposited under the Conditions, or in order for Shares, other securities or other property to be distributed or to be subscribed, or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company will apply for such authorisation, consent, registration or permit or file such report on behalf of the Domestic Depository within the time required under such law. The Domestic Depository shall not be obliged to distribute IDRs representing such Shares, other securities or other property to be deposited under the Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which (as notified to the Domestic Depository by the Company) such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration or permit, or to file any such report except in circumstances where the same may only be obtained or filed by the Domestic Depository. This clause does not require the Company to seek any authorisation, consent, registration, permit or report for any individual IDR Holder and is restricted to seeking such authorisation, consent, registration, permit or report as aforesaid for the Domestic Depository.

(B) The Company has undertaken in the Deposit Agreement, to take such action as may be reasonably required in obtaining or filing the same.

11.3 No obligation on Domestic Depository

The Domestic Depository is not obliged to distribute IDRs, Shares, other securities or other property to be deposited under the Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which any required authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration, or permit or to file any such report except in circumstances where the same may only be obtained or filed by the Domestic Depository and can be carried out without unreasonable burden or expense.

12 CERTAIN CORPORATE ACTION EVENTS

12.1 No limitation on rights of withdrawal

For the avoidance of doubt, the rights conferred on IDR Holders by this Condition 12 are in addition to, and in no way limit, hinder or abrogate, the rights contained in Condition 2.

12.2 Corporate Action Events

Subject to applicable law at the time of such occurrence, the Company and the Domestic Depository shall use their reasonable endeavours to enable the IDR Holders to have the option of conversion of IDRs into Shares by way of withdrawal of the Deposited Property in the circumstances set out in, and in accordance with the terms of, this Condition 12.2 (each such circumstance being a "Corporate Action Event"). In each case, the Domestic Depository shall give notice to the IDR Holders of the relevant Corporate Action Event as soon as reasonably practicable and, in any event, no later than 10 days before the date of any relevant meeting or, if there is no meeting, before the final date for acceptance of instructions in relation to the relevant Corporate Action Event.

(A) Company tender offer

(i) In the event of a buy-back of Shares by way of a tender offer made by the Company to all ordinary shareholders (a "Tender Offer"), each IDR Holder may, on any day from and including the first day on which IDR Holders are given notice of the Tender Offer pursuant to Condition 17, to and including such date as may be set by the Domestic Depository in its discretion as the final date for acceptance of instructions from IDR Holders in respect of such Tender Offer, irrevocably instruct the Domestic Depository to tender to the Company a number of Deposited Shares attributable to such IDR Holder's IDRs (such instructions to be supported by such documentation as the Domestic Depository may in its discretion require) provided that no such instruction may be given in respect of a fraction of a Deposited Share.

(ii) The Domestic Depository shall, subject to applicable law and regulation, instruct the Overseas Custodian to transfer the requisite number of Deposited Shares to the escrow account under the Tender Offer (or to such other account as may be relevant for the purposes of the Tender Offer).

(iii) If all the Deposited Shares transferred by the Overseas Custodian into the escrow account are purchased by the Company pursuant to the Tender Offer, the Domestic Depository will distribute the aggregate Tender Offer price received in respect of such Deposited Shares (together with all other Deposited Property attributable to the IDRs representing such tendered Deposited Shares) less any fees, costs, charges, taxes and expenses of whatever nature incurred by or on behalf of, or due to, the Domestic Depository to the relevant instructing IDR Holders and will cancel the IDRs representing such tendered Deposited Shares.

(iv) The Company undertakes that the instructing IDR Holders shall receive the same price per Deposited Share so tendered as part of the Tender Offer as the price per Share received by other shareholders of the Company, less a *pro rata* share of any fees, costs, charges, taxes or expenses incurred by or on behalf of, or due to, the Domestic Depository.

(v) If only part of the Deposited Shares transferred by the Overseas Custodian into the escrow account (or such other account) are purchased by the Company pursuant to the Tender Offer, the Domestic Depository will distribute the aggregate of the Tender Offer price received in respect of such Deposited Shares (together with all other Deposited Property attributable to the IDRs representing Deposited Shares accepted under the Tender Offer) less any fees, costs, charges, taxes and expenses incurred by or on behalf of, or due to, the Domestic Depository *pro rata* amongst the relevant instructing IDR Holders and will cancel the IDRs representing such Deposited Shares accepted under the Tender Offer.

(vi) The Domestic Depository will direct the Overseas Custodian to continue to hold any unaccepted Deposited Shares transferred back to the Overseas Custodian from the escrow account on behalf of the Domestic Depository and the IDRs representing such unaccepted Deposited Shares shall continue to exist and shall represent such unaccepted Deposited Shares on a *pro rata* basis.

(vii) The Domestic Depository shall make such adjustments in respect of the IDRs that represent unaccepted Deposited Shares, and/or such unaccepted Deposited Shares and the related Deposited Property, as it deems appropriate for the purpose of avoiding any resulting fractional IDRs.

(B) Open market buy-back

(i) In the event of a buy-back of Shares initiated by the Company through open market purchases (a "Buy-back OMP Offer"'), the Company undertakes to accept at an office designated by the Company and purchase on a *pro rata* basis the Deposited Shares tendered by the Domestic Depository (or the Overseas Custodian at the instruction of the Domestic Depository) at the instruction of the IDR Holders at such office, except those Deposited Shares which have been tendered after the buy-back quantity has been exhausted.

(ii) Each IDR Holder may, on any day from and including the first day on which IDR Holders are given notice of the Buy-back OMP Offer pursuant to Condition 17, to and including such date as may be set by the Domestic Depository in its discretion as the final date for acceptance of instructions from IDR Holders in respect of such Buy-back OMP Offer, irrevocably instruct the Domestic Depository to tender to the Company a number of Deposited Shares attributable to such IDR Holder's holding (such instructions to be supported by such documentation as the Domestic Depository may in its discretion require) provided that no such instruction may be given in respect of a fraction of a Deposited Share.

(iii) The Domestic Depository shall, subject to applicable law and regulation, instruct the Overseas Custodian to rematerialize the relevant number of Deposited Shares and to tender the physical Shares together with duly executed transfer forms to the office designated by the Company.

(iv) If all the Deposited Shares tendered by the Overseas Custodian in connection with such Buy-back OMP Offer are purchased by the Company pursuant to the Buy-back OMP Offer, the Domestic Depository will distribute the aggregate price received in respect of such Deposited Shares (together with all other Deposited Property attributable to the IDRs representing such tendered Deposited Shares) less any fees, costs, charges, taxes and expenses of whatever nature incurred by or on behalf of, or due to, the Domestic Depository to the relevant instructing IDR Holders and will cancel the IDRs representing such tendered Deposited Shares.

(v) The Company undertakes that the instructing IDR Holders shall receive the same price per Deposited Share so tendered as part of the Buy-back OMP Offer as the price per Share received by other shareholders of the Company, less a *pro rata* share of any fees, costs, charges, taxes or expenses incurred by or on behalf of, or due to, the Domestic Depository.

(vi) If only part of the Deposited Shares tendered by the Overseas Custodian in connection with the Buy-back OMP Offer are purchased by the Company pursuant to the Buy-back OMP Offer (by reason of the buy-back quantity being exhausted or otherwise), the Domestic Depository will distribute the aggregate price received in respect of such Deposited Shares (together with all other Deposited Property attributable to the IDRs representing the Deposited Shares accepted under the Buy-back OMP Offer) less any fees, costs, charges, taxes and expenses incurred by or on behalf of, or due to, the Domestic Depository *pro rata* amongst the relevant instructing IDR Holders and will cancel the IDRs representing the Deposited Shares accepted under the Buy-back OMP Offer.

(vii) The Domestic Depository will direct the Overseas Custodian to continue to hold the unaccepted Deposited Shares on behalf of the Domestic Depository and the IDRs representing such unaccepted Deposited Shares shall continue to exist and shall represent such unaccepted Deposited Shares on a *pro rata* basis.

(viii) The Domestic Depository shall make such adjustments in respect of the IDRs that represent unaccepted Deposited Shares, and/or such unaccepted Deposited Shares and the related Deposited Property, as it deems appropriate for purposes of avoiding any resulting fractional IDRs.

(C) Takeover Offer

(i) In the event that an offer is made by any person either:

(a) by way of scheme of arrangement under the UK Companies Acts; or

(b) by way of an offer regulated by the UK City Code on Takeovers and Mergers,

for the acquisition of all of the Shares (subject to any terms and conditions as may be applicable) (a "Takeover Offer"), each IDR Holder may, on any day from and including the first day on which IDR Holders are given notice of the Takeover Offer pursuant to Condition 17, to and including such date as may be set by the Domestic Depository in its discretion as the final date for acceptance of instructions from IDR Holders in respect of such Takeover Offer, irrevocably instruct the Domestic Depository to accept the Takeover Offer (subject to such offer becoming unconditional) in respect of any number of Deposited Shares attributable to such IDR Holder's IDRs (such instructions to be supported by such documentation as the Domestic Depository may in its discretion require) provided that no such instruction may be given in respect of a fraction of a Deposited Share.

(ii) The Domestic Depository shall, subject to applicable law and regulation and subject to such offer becoming unconditional, instruct the Overseas Custodian to transfer the requisite number of Deposited Shares to the person making the Takeover Offer in accordance with the terms of such Takeover Offer.

(iii) If the Takeover Offer becomes unconditional and the Deposited Shares are transferred by the Overseas Custodian, the Domestic Depository will distribute the proceeds of such sale (together with all other Deposited Property attributable to the IDRs representing such tendered Deposited Shares) less any fees, costs, charges, taxes and expenses of whatever nature incurred by or on behalf of, or due (under Condition 21) to, the Domestic Depository to the relevant instructing IDR Holders and will cancel the IDRs representing such tendered Deposited Shares.

(D) Compulsory acquisition

In the event that, pursuant to a Takeover Offer or otherwise, any person acquires an interest in 90% or more of the Shares, that person is entitled (and each IDR Holder acknowledges such entitlement) under the Companies Acts to compulsorily acquire any Shares held by any person, and, if that person elects to so acquire such Shares, the Domestic Depository must take all actions necessary to transfer the Shares represented by the IDRs to that person (without requiring the consent of the relevant IDR Holder) and to distribute the proceeds of such transfer (together with any other Deposited Property attributable to the IDRs representing such Deposited Shares) less any fees, costs, charges, taxes and expenses of whatever nature incurred by or on behalf of, or due (under Condition 21) to, the Domestic Depository pro rata to the relevant IDR Holders and will cancel the IDRs representing such transferred Deposited Shares.

12.3 Withdrawal subject to the Deposit Agreement

Any withdrawal of Deposited Property following a Corporate Action Event is subject to all other requirements and conditions relating to withdrawal set out in the Deposit Agreement.

13 VOTING RIGHTS

13.1 IDR Holders to have voting rights

IDR Holders have voting rights with respect to the Deposited Shares in accordance with this Condition 13 and clause 9 of the Deposit Agreement but only in respect of such IDRs as together represent at least one Share (and thereafter multiples thereof) as regards voting on a show of hands and at least four Shares (and thereafter multiples thereof) as regards voting on a poll.

13.2 Dissemination of voting information

As soon as practicable after receipt from the Overseas Custodian of notice of any meeting or solicitation of consents or proxies of holders of Shares, the Domestic Depository shall fix a record date in accordance with Condition 9.1 and, unless otherwise requested in writing by the Company to comply with applicable law, send to IDR Holders a notice (such notice to be given no less than 10 days before the date of the relevant meeting):

(A) accompanied by a copy of the notice and any solicitation materials;

(B) stating that each IDR Holder on the record date set by the Domestic Depository will be entitled to instruct the Domestic Depository as to the exercise of voting rights, if any, pertaining to the Deposited Shares represented by the relevant IDRs, up until the date specified by the Domestic Depository to the IDR Holders for receipt of such instructions (being a date at least 3 Business Days prior to the date set by the Company for final receipt of the relevant voting instructions); and

(C) stating the manner in which such instructions may be given, including setting out information as to how IDR Holders may, in their absolute discretion, give instructions to the Domestic Depository to grant a proxy in accordance with Condition 13.3 below subject to any applicable laws and the articles of association of the Company.

13.3 Domestic Depository to procure the appointment of proxies in accordance with instructions

Upon receipt of instructions from an IDR Holder in the manner and on or before the date established by the Domestic Depository for such purpose, the Domestic Depository shall procure that the Overseas Custodian or its nominee shall appoint proxies in respect of any Deposited Shares in accordance with such instructions, subject to any applicable laws and the articles of association of the Company.

The following three options are available to IDR Holders with respect to voting instructions:

(A) if the IDR Holder so wishes – the appointment of the person designated by the Company (which could include, for the avoidance of doubt, a nominee of the Domestic Depository) as a proxy in respect of the relevant number of Deposited Shares;

(B) if the IDR Holder wishes to nominate a third party to attend the relevant meeting in person – the appointment of that third party as a proxy in respect of the relevant number of Deposited Shares;

(C) if the IDR Holder wishes to attend the relevant meeting in person – the appointment of the IDR Holder as a proxy in respect of the relevant number of Deposited Shares.

13.4 Action if voting instructions not received

The Domestic Depository will not itself exercise any voting discretion in respect of any Deposited Shares and will not grant or instruct the Overseas Custodian to grant any proxy over the voting discretion in respect of any Deposited Shares unless specifically instructed by an IDR Holder in accordance with Condition 13.3. If no voting instructions are received by the Domestic Depository (either because no voting instructions are returned to the Domestic Depository or because the voting instructions are incomplete, illegible or unclear or are received after the date specified) from an IDR Holder with respect to any or all of the Deposited Shares represented by the relevant IDRs on or before the record date specified by the Domestic Depository, the Domestic Depository will not vote or cause to be voted such Shares.

13.5 No voting by Overseas Custodian other than in accordance with instructions

The Domestic Depository shall use all reasonable endeavours to procure that the Overseas Custodian and its nominee do not vote or attempt to exercise the right to vote that attaches to the Deposited Shares other than in accordance with instructions received from the Domestic Depository.

13.6 Legal opinion

(A) If the Domestic Depository reasonably requests, in circumstances where the Domestic Depository is of the reasonable opinion that there is a genuine need for such legal opinion, the Company has undertaken to procure (at the expense of the Company) a legal opinion from the Company's legal counsel (such counsel being reasonably acceptable to the Domestic Depository) to the effect that:

(i) the arrangements contemplated by this Condition 13 are valid and binding on IDR Holders under applicable laws and the statutes of the Company; and

(ii) the Domestic Depository is permitted to exercise votes in accordance with the provisions of this Condition 13, but that in doing so the Domestic Depository will not be deemed to be exercising voting discretion.

(B) If the Company is unable to procure the legal opinion specified in Condition 13.6(A), the Domestic Depository shall not be required to take any action required by this Condition 13.

14 DOCUMENTS, TAXES, DUTIES AND CHARGES

14.1 No liability

The Domestic Depository shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the IDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to an IDR shall be payable by the IDR Holder thereof to the Domestic Depository at any time on request or may be deducted from any amount due or becoming due on such IDR in respect of any dividend or other distribution.

14.2 Default

Subject to applicable law and, where possible, giving reasonable notice to such an IDR Holder, in the event of any default by an IDR Holder of the obligations set out in Condition 14.1, the Domestic Depository may, for the account of the IDR Holder, discharge the same out of the proceeds of sale of an appropriate number of Deposited Shares (being an integral multiple of the number of Shares in respect of which a single IDR is issued) or other Deposited Property and subsequently pay any surplus to the IDR Holder.

14.3 Disclaimer

No liability under the United States Securities Act 1933, as amended, is intended by any provision of the Deposit Agreement or these Conditions.

15 REPLACEMENT IDRS

In the event that the IDRs are represented by IDR Certificates, subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Domestic Depository may require, replacement IDR Certificates will be issued by the Domestic Depository and will be delivered in exchange for or in replacement of outstanding lost, stolen, mutilated, defaced or destroyed IDR Certificates upon surrender thereof (except in the case of destruction, loss or theft) at the Domestic Depository Office.

16 AMENDMENT OF CONDITIONS

16.1 Amendments

Subject to clause 17.2 of the Deposit Agreement, all and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 16 and clause 17 of the Deposit Agreement) may at any time and from time to time be amended by written agreement between the Company and the Domestic Depository and, if required, with the prior written approval of such regulatory authority as may be required in India, the United Kingdom or Hong Kong or any other jurisdiction, in any respect which they may deem necessary or desirable.

16.2 Notice to IDR Holders

Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the IDR Holders by the Domestic Depository and any amendment (except as aforesaid) which shall increase or impose fees or charges payable by IDR Holders or which shall otherwise be materially prejudicial to the interests of the IDR Holders (as a class) shall not become effective so as to impose any obligation on the IDR Holders of the outstanding IDRs until the expiry of three months after such notice shall have been given. During such period of three months, each IDR Holder shall be entitled to obtain delivery of the Deposited Property relative to each IDR held by it upon surrender thereof, free of charge but otherwise in accordance with these Conditions, including, in particular, Condition 2.

16.3 Deemed approval

Each IDR Holder at the time when any such amendment so becomes effective shall be deemed, by continuing to hold an IDR, to approve such amendment and to be bound by the terms thereof in so far as it affects the rights of the IDR Holders.

16.4 No impairment

In no event shall any amendment impair the right of any IDR Holder to receive the Deposited Property attributable to the relevant IDR.

17 NOTICES TO IDR HOLDERS

17.1 Valid notice

All notices to IDR Holders shall be validly given if mailed to them at their respective addresses in the Register and so long as the IDRs are listed on the BSE and/or NSE and the rules of the BSE and/or NSE or the IDR Listing Agreements so require, published in one leading Hindi and one leading English national daily newspaper in India.

17.2 Time of service

Any such notice shall be deemed to have been given on the later of such publication and the third day after being so mailed.

17.3 Company to provide notices to Domestic Depository

All notices required to be given by the Company to the IDR Holders pursuant to any applicable laws, regulations or other agreements shall be given by the Company to the Domestic Depository and upon receipt of any such notices, the Domestic Depository shall forward such notices to the IDR Holders. The Domestic Depository shall not be liable for any notices required to be given by the Company which the Domestic Depository has not received from the Company, nor shall the Domestic Depository be liable to monitor the obligations of the Company to provide such notices to the IDR Holders.

17.4 Electronic notices

Notwithstanding anything in this Condition 17, if the IDR Listing Agreements and applicable law permit the Company to provide notices to IDR Holders through electronic means, the Domestic Depository and the Company may satisfy their obligations under this Condition 17 by providing notices to IDR Holders in electronic format in accordance with the relevant provisions of the IDR Listing Agreements.

18 ANNUAL REPORTS

(A) The Company has undertaken in the Deposit Agreement (so long as any IDR is outstanding) to make available to the Domestic Depository sufficient copies of the annual report, prepared in accordance with the requirements of the IDR Listing Agreements and applicable laws, to enable the Domestic Depository to provide such annual report to each IDR Holder.

(B) Notwithstanding Condition 18(A), if the IDR Listing Agreements and applicable law permit the Company to provide annual reports to IDR Holders through electronic means (including by display on a website), the Company and the Domestic Depository may satisfy their obligations under Condition 18(A) by providing annual reports to IDR Holders in electronic format in accordance with the relevant provisions of the IDR Listing Agreements.

19 COPIES OF OTHER COMPANY NOTICES

(A) The Company has undertaken in the Deposit Agreement that on the day when the Company gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, it will transmit to the Domestic Depository such number of copies of such notice and any other material furnished to such holders by the Company in connection therewith as the Domestic Depository may reasonably request.

(B) The Domestic Depository shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, and in any event not less than 10 days before the date of the relevant meeting or the last date for taking the relevant action, give due notice to the IDR Holders, and shall make the same available to IDR Holders in such manner as it may determine.

(C) Notwithstanding anything else in this Condition 19, if the IDR Listing Agreements and applicable law permit the Company to provide other notices to IDR Holders through electronic means, the Company and the Domestic Depository may satisfy their obligations under this Condition 19 by providing such notices to IDR Holders in electronic format in accordance with the relevant provisions of the IDR Listing Agreements.

20 DISCLOSURE OF BENEFICIAL OWNERSHIP

20.1 Requests from the Domestic Depository

The Domestic Depository may from time to time request IDR Holders or former IDR Holders or any clearing system in which the IDRs are from time to time cleared to provide information as to the capacity in which they hold or held IDRs and regarding the identity of any other persons then or previously interested in such IDRs and the nature of such interest and various other matters.

20.2 IDR Holders to respond

Each IDR Holder agrees to provide any such information reasonably requested by the Domestic Depository pursuant to this Condition 20.2 whether or not still an IDR Holder at the time of such request.

20.3 Agreement with the Company

Notwithstanding any provision of these Conditions, by being an IDR Holder, each IDR Holder agrees to provide such information as the Company may request in a disclosure notice given pursuant to the Companies Acts, or the articles of association of the Company.

20.4 Sanctions

By holding any IDR, each IDR Holder acknowledges that it understands that failure to comply with a disclosure notice described in Condition 20.3 may result in the imposition of sanctions, following reasonable notice being given to such IDR Holder of the intention to impose such sanctions, against the holder of the Shares in respect of which the non-complying person is or was, or appears to be or has been, interested as provided in the Companies Acts, and the articles of association of the Company, which currently include the withdrawal of the voting rights of such Shares and the imposition of restrictions on the rights to receive dividends on and to transfer such Shares.

20.5 Disclosure and Transparency Rules

In addition, by holding any IDR each IDR Holder agrees to comply with the provisions of the Disclosure and Transparency Rules with regard to the notification to the Company of interests in Shares, which currently provide, *inter alia*, that any person who holds 3% or more of the voting rights attached to the Shares must within two London business days after becoming so interested or so aware (and thereafter in certain circumstances upon any change to the particulars previously notified) notify the Company as required by the Disclosure and Transparency Rules. After the relevant threshold is exceeded, similar notifications must be made in respect of whole percentage figure increases or decreases, rounded down to the nearest whole number.

20.6 List of IDR Holders

The Company has the right to inspect transfer records of the Domestic Depository and any records maintained by the Registrar at the direction of the Domestic Depository, take copies of such records and require the Domestic Depository to supply copies of such portions of such records as the Company may request. The Domestic Depository must, and must instruct the Registrar to, furnish to the Company promptly upon the written request of the Company a list of the names, addresses and holdings of IDR Holders as of a date within seven days of the Domestic Depository's receipt of such request.

21 DOMESTIC DEPOSITORY'S FEES, COSTS, EXPENSES AND INDEMNITIES

21.1 Fees and charges from IDR Holders

The Domestic Depository shall be entitled to charge the IDR Holders the following remuneration and to receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand and, where applicable, being converted into Indian Rupees at prevailing exchange rates) in respect of its services under the Deposit Agreement:

(A) for the issue of IDRs (other than upon the initial issue of IDRs pursuant to clause 2.3 of the Deposit Agreement) or the cancellation of IDRs upon the withdrawal of Deposited Property: US$0.05 or less per Deposited Share evidenced by those IDRs (and a proportionate amount where an IDR Holder holds IDRs representing less than a Share) issued or cancelled;

(B) for issuing IDR Certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed IDR Certificates (and subject to indemnification where appropriate): a sum per IDR Certificate which is determined by the Domestic Depository to be a reasonable charge to reflect the work, costs and expenses involved;

(C) for services performed by the Domestic Depository, any of the Domestic Depository's agents, including the Overseas Custodian, or the agents of the Domestic Depository's agents, in connection with the IDRs, the Deposited Shares or other Deposited Property: US$0.016 or less per Deposited Share evidenced by IDRs (and a proportionate amount where an IDR Holder holds IDRs representing less than a Share), such amount to be deducted by the Depository from each cash dividend or other cash distribution received by the Depository on or in respect of the Deposited Shares or other Deposited Property; and

(D) in respect of any issue of rights or distribution of Shares (whether or not evidenced by IDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: a sum per IDR which is determined by the Domestic Depository to be a reasonable charge to reflect the costs and expenses incurred by or on behalf of the Company or the Domestic Depository or any of the Domestic Depository's agents, including the Overseas Custodian, or the agents of the Domestic Depository's agents in connection with such issue of rights or distribution of Shares or other securities or other property,

together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Domestic Depository, the Registrar or the Overseas Custodian, or any of their agents, in connection with any of the above.

21.2 Fees payable by the Company

(A) The Domestic Depository shall be entitled to charge the Company such sums and amounts as may be specified in a letter between the Company and the Domestic Depository of even date herewith in respect of its services under the Deposit Agreement.

(B) All fees, taxes, duties, charges, costs and expenses which are payable by the Company shall be paid by the Company to the Domestic Depository upon demand therefor subject to all necessary exchange controls and other consents and approvals having been obtained (which the Company undertakes to use its best endeavours to obtain).

22 LIABILITY

(A) In acting under the Deposit Agreement the Domestic Depository shall have only those duties, obligations and responsibilities as specified in the Deposit Agreement and these Conditions including, but not limited to, holding the Deposited Property for the benefit of IDR Holders as a bare trustee under English law.

(B) Neither the Domestic Depository nor the Company, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any IDR Holder if, by reason of any provision of any present laws (save for Indian and English law) or future applicable law or regulation of any country or of any relevant governmental authority or by reason of the interpretation or application of any such present or future law or regulation or any change therein or by reason of any other circumstances beyond their control or, in the case of the

Domestic Depository or any of its agents, officers, directors or employees, by reason of any future provision of the constitutive documents of the Company, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor (save in the case of wilful default, negligence or bad faith) shall any of them incur any liability to any IDR Holder, or person with an interest in any IDR by reason of any non-performance or delay, caused as aforesaid, in performance of any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed, or by reason of any exercise of, or failure to exercise, caused as aforesaid, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement or these Conditions. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

(C) The Domestic Depository shall not be liable (except by reason of its own breach of contract, wilful default, negligence or bad faith or that of its agent, officers, directors or employees) to the Company or any IDR Holder, by reason of having accepted as valid or not having rejected any certificate for Shares or IDR Certificate purporting to be such and subsequently found to be forged or not authentic.

(D) The Domestic Depository shall endeavour to effect any sale of any Deposited Property contemplated by the Conditions or any such conversion as is referred to in Condition 8 in accordance with usual practices and procedures, but neither it nor its agents shall have any liability (save in the case of wilful default, negligence or bad faith) if such sale or conversion shall not be possible. In addition, none of the Domestic Depository, the Company or any of their respective agents shall have any liability or responsibility for any loss or damage (whether actual or alleged) arising from the terms of or timing of any sale or conversion of Deposited Property.

(E) In the absence of its own breach of contract, wilful default, negligence or bad faith the Domestic Depository will not be responsible for any failure to determine that it may be lawful or practicable to make rights available to IDR Holders in general or to any IDR Holder in particular, but without limitation, pursuant to Condition 6.

23 LISTING OF IDRs

(A) The Company has undertaken in the Deposit Agreement to, subject to the Company's ability to elect at any time to delist the IDRs in accordance with applicable legislation and/or guidelines, use its reasonable endeavours to maintain the admission to trading of the IDRs on the BSE and the NSE.

24 SEVERABILITY

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

25 GOVERNING LAW AND ARBITRATION

25.1 Choice of governing law

The Deposit Agreement, the Conditions and the IDRs (including any non-contractual obligations relating thereto) are governed by and shall be construed in accordance with English law. The rights and obligations relating to the Deposited Shares shall be governed by English law.

25.2 Arbitration

(A) The Domestic Depository agrees and the IDR Holders from time to time shall be deemed to agree by virtue of their holding of IDRs that any dispute, difference, controversy, cause of action or claim brought by any of them (including, for the avoidance of doubt, any former IDR Holders) arising out of or relating to the Deposited Shares or other Deposited Property, the IDRs, the Deposit Agreement or these Conditions, or any breach thereof, including any question regarding existence, validity, termination, or enforceability of the Deposit Agreement or these Conditions and any claims and/or counterclaims that may be related thereto, shall be referred to, and finally resolved by, binding arbitration in accordance with the Arbitration Act.

(B) The Domestic Depository and the IDR Holders shall co-operate in good faith to expedite, to the maximum extent practicable, the conduct of any such arbitral proceedings.

25.3 Jurisdiction

Subject to Condition 25.2 and the Arbitration Act, the courts in Mumbai, India will exercise exclusive jurisdiction in respect of disputes mentioned in this Condition 25.

25.4 Waiver

The Domestic Depository agrees and IDR Holders from time to time shall be deemed to agree by virtue of their holding of IDRs not to challenge the terms, validity and/or enforceability of this Condition 25 including, but not limited to, any challenge based on lack of mutuality, and the Domestic Depository and the IDR Holders from time to time hereby irrevocably waive any right to make such challenge.

25.5 Place and language of arbitration

The place of arbitration shall be Mumbai, India and the language of arbitration shall be English.

25.6 Appointment of arbitrators

In the event of dispute between the Domestic Depository and the IDR Holder(s), there shall be one arbitrator who shall be appointed in accordance with the provisions of the Arbitration Act.

25.7 No effect on obligations

Any reference of any dispute, controversy, cause of action or proceeding to arbitration under this Condition 25 shall not affect the performance by the Company or the Domestic Depository or the IDR Holders, as the case may be, of their obligations under the Deposit Agreement, other than the obligation relating to the dispute, controversy, cause of action or proceeding referred to arbitration.

Subject to Condition 25.2, the competent courts in Mumbai, India shall have jurisdiction in all matters arising out of these Conditions.

25.8 Deed Poll

The Company has executed the Deed Poll to allow IDR Holders to obtain the benefit of this Condition 25 as against the Company.

26 REGISTRAR

(A) The Domestic Depository and the Company have agreed to appoint the Registrar pursuant to the Registrar Agreements.

(B) The Company and the Domestic Depository may terminate the appointment of the Registrar in accordance with the terms of the Registrar Agreements and only with unanimous consent of the Company and the Domestic Depository. The Registrar may terminate the Registrar Agreements in accordance with their terms. Upon termination of the appointment of the Registrar, the Domestic Depository and the Company may, with unanimous consent, appoint another entity to act as the registrar with respect to the IDRs.

(C) Notice of appointment or removal of the Registrar or of any change in the Registrar Office must be duly given by the Domestic Depository to the IDR Holders as soon as practicable.

27 OVERSEAS CUSTODIAN

(A) The Domestic Depository and the Company have agreed to appoint the Overseas Custodian pursuant to the Custody Agreement.

(B) The Domestic Depository has agreed with the Overseas Custodian that all the Deposited Property will be held by the Overseas Custodian in the IDR Facility and will be identified as being held for the account of the Domestic Depository and is segregated in the books of the Overseas Custodian from all other property, particularly property of the same type and class, held by the Overseas Custodian.

(C) The Overseas Custodian has agreed, subject to the terms of the Custody Agreement, to be subject at all times and in all respects to the direction of the Domestic Depository and has agreed to be responsible solely to it pursuant to the Custody Agreement.

(D) The Overseas Custodian may resign (''Notice of Resignation'') or be removed by the Domestic Depository from its duties by giving 90 days' prior written notice. The termination of the appointment or resignation of the Overseas Custodian shall take effect on the date specified in such notice, provided that no such termination of appointment or resignation shall take effect until the appointment by the Domestic Depository (following authorisation by the Company) of a successor overseas custodian under the Custody Agreement and the acceptance of such appointment to act by the successor overseas custodian, substantially in accordance with the terms of the Custody Agreement.

(E) The Domestic Depository has undertaken to use its best endeavours to procure the appointment of a successor overseas custodian with effect from the date of termination specified in such notice as soon as reasonably possible following such Notice of Resignation.

(F) If the Domestic Depository fails to appoint a successor overseas custodian within 60 days of the Notice of Resignation being given by the Overseas Custodian, the Overseas Custodian will have the right to terminate the Custody Agreement on a further 90 days' prior written notice, unless the Domestic Depository appoints a successor overseas custodian within 60 days of such notice in which case the Custody Agreement will not terminate.

(G) Notwithstanding the foregoing, the Domestic Depository may temporarily deposit the Deposited Property in a manner or a place other than as therein specified if considered necessary by the Domestic Depository. In case of transportation of the Deposited Property under this Condition, the Domestic Depository shall obtain appropriate insurance at the expense of the Company if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are, in the opinion of the Domestic Depository, a reasonable amount.

(H) Notice of any change of Overseas Custodian shall be given to IDR Holders by the Domestic Depository as soon as practicable after such change taking effect.

28 RESIGNATION AND TERMINATION OF APPOINTMENT OF THE DOMESTIC DEPOSITORY

28.1 Termination by notice

The Company may terminate the appointment of the Domestic Depository under the Deposit Agreement by giving at least 90 days' prior notice in writing to the Domestic Depository and the Overseas Custodian, and the Domestic Depository may resign as Domestic Depository by giving at least 90 days' prior notice in writing to the Company and the Overseas Custodian.

28.2 Notification

Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Domestic Depository to the IDR Holders and to the Indian Stock Exchanges and SEBI.

28.3 Effect of termination

The termination of the appointment or resignation of the Domestic Depository shall take effect on the date specified in such notice, provided that no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depository under the Deposit Agreement and the acceptance of such appointment to act substantially in accordance with the terms thereof and of these Conditions, by the successor depository.

28.4 Successor depository

The Company has undertaken in the Deposit Agreement to use its reasonable endeavours to procure the appointment of a successor depository with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the Domestic Depository to the IDR Holders and to the Indian Stock Exchanges and SEBI.

28.5 Obligations of the Domestic Depository to successor depository

Upon the termination of the appointment or resignation of the Domestic Depository and against payment of all fees and expenses due to the Domestic Depository from the Company under the

Deposit Agreement, the Domestic Depository shall deliver to its successor as depository sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depository any Deposited Property and cash held by it under the Deposit Agreement.

28.6 Effect on the Overseas Custodian

The Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect the Overseas Custodian shall be deemed to be the Overseas Custodian thereunder for such successor depository and shall hold the Deposited Property for such successor depository, and the Domestic Depository shall thereafter have no obligation under the Deposit Agreement or these Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

28.7 Survival of certain provisions

Any payment obligations of the IDR Holders, any obligations of the Company herein to make payments to the Domestic Depository and indemnify it, and any obligation of the Domestic Depository to indemnify the Company shall, in respect of any event occurring before termination of the appointment of, or resignation by, the Domestic Depository, survive any such termination or resignation. Termination of the appointment of, or resignation by, the Domestic Depository will not affect accrued rights or existing commitments under this Agreement.

29 TERMINATION OF DEPOSIT AGREEMENT

29.1 Termination by notice

The Company may terminate the Deposit Agreement by giving not less than 90 days' notice to the Domestic Depository and to the Overseas Custodian. Such notice shall specify the date of termination of the Deposit Agreement.

29.2 Termination on delisting of the IDRs by the Indian Stock Exchanges

The Deposit Agreement will terminate upon the delisting of the IDRs by the Indian Stock Exchanges.

29.3 Termination on delisting of the Shares

The Deposit Agreement will terminate on the delisting of the Shares resulting in such Shares not being listed on any securities exchange in any jurisdiction.

29.4 Delisting on termination

Following an event giving rise to a termination of the Deposit Agreement as provided under Conditions 29.1 or 29.3 above, the Company will apply to the Indian Stock Exchanges for the delisting for the IDRs such that the IDRs will cease to be listed upon termination of the Deposit Agreement.

29.5 Notice of termination

The Company will give notice to the Domestic Depository, the Overseas Custodian and the Indian Stock Exchanges of a termination of the Deposit Agreement as provided under Conditions 29.2 or 29.3 above as soon as reasonably practicable after becoming aware of the event giving rise to such termination.

29.6 Notification to IDR Holders

As soon as reasonably practicable following the receipt of such notice under Conditions 29.1 or 29.5 above, notice of such termination shall be duly given by the Domestic Depository to IDR Holders.

29.7 Entitlement to obtain delivery of Deposited Property

In the event of a termination of this Agreement as provided under Conditions 29.1 or 29.2 above, during the period beginning on the date of the giving of such notice by the Domestic Depository to the IDR Holders and ending, in the case of Condition 29.1 above, on the date on which such termination takes effect, and, in the case of Condition 29.2 above, ending 15 Business Days after notice being given of such event under Condition 29.6 above, each IDR Holder shall be entitled to receive delivery of the Deposited Property relative to each IDR held by it, by submitting a

Withdrawal Order or, if permitted, an electronic certification in lieu of such Withdrawal Order, in accordance with the provisions of Condition 2, and on payment by the IDR Holder of any sums payable by the Domestic Depository to the Overseas Custodian and/or any other expenses incurred by the Domestic Depository in connection with such delivery and withdrawal, and otherwise in accordance with the Deposit Agreement provided that a request for withdrawal of Deposited Property may only be made in respect of such number of IDRs as would together represent a whole number of Shares. Fractions will be dealt with as provided in Condition 29.12 below.

29.8 Outstanding IDRs in the event of a termination by notice or termination following delisting of the IDRs by the Indian Stock Exchanges

If after termination of the Deposit Agreement pursuant to Conditions 29.1 or 29.2 above and expiry of any period during which a Withdrawal Order may be given, any IDRs remain outstanding after the date of termination of the Deposit Agreement, the Domestic Depository shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement in accordance with Condition 29.11 and shall not register transfers, shall not pass on dividends or distributions or take any other action. After making such sale, the Domestic Depository shall be discharged from all obligations under the Deposit Agreement and these Conditions.

29.9 Delivery of Deposited Property upon delisting of the Shares

If the Deposit Agreement is terminated under Condition 29.3 above, the Domestic Depository shall as soon as reasonably practicable following the giving of notice by the Domestic Depository to the IDR Holders of such termination as specified under Condition 29.6 above, deliver the Deposited Property relative to each IDR held by it in accordance with the provisions of Condition 2 and on payment by the IDR Holder of any sums payable by the Domestic Depository to the Overseas Custodian and/or any other expenses incurred by the Domestic Depository in connection with such delivery and otherwise in accordance with the Deposit Agreement, provided that the Domestic Depository will only be obliged to deliver whole numbers of Shares under this Condition 29.9. Fractions of Shares will be aggregated and the resultant Shares will be surrendered by the Custodian on behalf of IDR Holders to the Company for no consideration.

29.10 Survival of certain provisions

Any payment obligations of the IDR Holders, obligations of the Company herein to make payments to the Domestic Depository and indemnify it and any obligation of the Domestic Depository to indemnify the Company shall in respect of any event occurring before termination survive any such termination. Termination of the Deposit Agreement will not affect accrued rights or existing commitments under the Deposit Agreement.

29.11 Sale of Deposited Property

Where the Domestic Depository is obligated to sell any Deposited Property held by it or any entitlements arising from the Deposited Property held by it pursuant to the terms of the Deposit Agreement, the Domestic Depository shall sell such Deposited Property or entitlements at the prevailing market price and shall procure that the net proceeds from any such sale shall be deposited in a trustee account maintained by the Overseas Custodian. The Domestic Depository shall procure the distribution of such proceeds, together with any interest which has accrued on the same, and subject to the deduction of any tax payable on the interest attributable to the relevant IDR Holder, *pro rata* to each relevant IDR Holder by reference to that proportion of the Deposited Property which is represented by the IDRs of which that person is the IDR Holder within 15 Business Days of the completion of the sale of all of the relevant Deposited Property.

29.12 Fractional entitlements

Where an IDR represents a fraction of a Share and IDR Holders have fractional entitlements to Shares after giving effect to withdrawals under Condition 29.7 above, the Domestic Depository is entitled to aggregate such fractions and to sell the relevant Shares under and in accordance with Condition 29.11 above.

30 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce these terms and conditions under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that these terms and conditions expressly provide for such Act to apply.

INFORMATION ON THE DEPOSITORY AND CERTAIN IMPORTANT INFORMATION IN RESPECT OF THE SHARES WHILE IN IDR FORM

Information relating to the Depository

The Depository is Standard Chartered Bank, Mumbai. Standard Chartered Bank, Mumbai is a branch of Standard Chartered Bank which is a banking subsidiary of the Company. The Depository is a branch office registered in Mumbai on 10 May 1952. The registered office of Standard Chartered Bank is located at 1 Aldermanbury Square, London EC2V 7SB, UK. The registered office of the Depository in India is located at 90 Mahatma Gandhi Road, Fort, Mumbai 400 001, India.

Certain important information in respect of the Shares while in IDR form

Important legal information

Disclosure of shareholdings under the Disclosure and Transparency Rules

There is a legal obligation under DTR 5 to notify an issuer of shares of certain voting rights on reaching or exceeding certain thresholds. These obligations relate to shares of UK and non-UK issuers which are admitted to trading on a regulated market in the UK. At the end of each calendar month, an issuer must (assuming an increase or decrease has occurred) announce the total number of voting rights and capital in respect of each class of share which it issues, and the total number of voting rights attaching to shares held in treasury. It is the responsibility of each shareholder to monitor company announcements: the number of issued shares as announced by the company is taken as the denominator for determining whether disclosure thresholds have been reached by a shareholder (even where it has not engaged in any dealings).

Pursuant to DTR 5.1.2R, a person (which includes a natural person, a legal person or an unincorporated body such as a partnership) must notify an issuer of the percentage of its voting rights that he holds as a shareholder or is deemed to hold through his direct or indirect holding of financial instruments which fall within DTR 5.3.1R. DTR 5.3.1R provides that a person must make a notification in respect of two types of financial instruments. Firstly it applies to instruments which are qualifying financial instruments these are transferable securities, options, futures, swaps, forward rate agreements, and any other derivative contracts which result in a formal agreement for the holder to unilaterally acquire shares of the issuer (either through an unconditional right to acquire the shares or through a discretion to). Secondly a person must make a notification in respect of financial instruments which are referenced to the shares of the issuer and have similar economic effects to (but which are not) qualifying financial instruments.

The disclosure obligation does not apply to financial instruments held by a client-serving intermediary acting in a client-serving capacity which satisfies the following conditions: it is appropriately authorised by the relevant regulator, it has appropriate systems and controls in place in order to distinguish between its client-serving and proprietary dealings, it does not intervene in or attempt to exert influence on the management of the issuer when acting in a client-serving capacity and it has certified in writing to the FSA that it satisfies these conditions. The client-serving intermediary must notify the FSA if it no longer satisfies any of these conditions and must provide the FSA with information relevant to its status as a client-serving intermediary. Acting in a client-serving capacity is defined as fulfilling client orders on a non-proprietary basis, responding to clients' requests on a non-proprietary basis and hedging any resultant positions.

Notifications must be made when the percentage of voting rights held (even if the exercise of such rights is suspended) reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and each 1% threshold thereafter up to 100% (for a UK issuer, for a non-UK issuer these thresholds are 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% in most circumstances) as a result of an acquisition or disposal of shares or financial instruments falling within DTR 5.3.1R. The notification requirements also apply where a holding changes as a result of changes to the share capital of an issuer, and where the issuer has announced information in respect of the total number of voting rights and capital which would cause the shareholding to be re-calculated. Direct and indirect holdings of shares and relevant financial instruments must be aggregated.

Notifications must be made as soon as possible and in any case not later than two trading days (for UK issuers) after the date on which the notifying person learns, or having regard to the circumstances, should have learnt, of the event that has given rise to the requirement to make the disclosure. In general, a person will be deemed to have knowledge of the event no later than two trading days after the event has taken place. The notification obligation is an individual obligation on each direct shareholder or indirect shareholder.

IDR Holders that have to make such notifications should refer to "*Important procedure-related information – Making notifications in respect of the underlying Shares*" below.

DTR 5.1.3 provides that a notification need never be made in respect of:

- shares acquired for clearing and settlement purposes within a four-day settlement cycle;
- shares held by a custodian or nominee (in its capacity as such), provided that the custodian or nominee receives its instructions in written or electronic form;
- shares held by a market maker in its capacity as such, up to a 10% holding and subject to certain conditions;
- shares held or shares underlying financial instruments (as set out in DTR 5.3.1R) to the extent that such financial instruments are held by a credit institution or investment firm, provided they are held on the trading book, they do not exceed a 5% holding, and the voting rights are not used "to intervene in the management of the issuer";
- shares held by a collateral taker under a collateral transaction, provided the collateral taker does not declare any intention of exercising (and does not exercise) the voting rights attached to such shares; and
- shares acquired under a stock loan, provided the borrower on-loans the shares or equivalent stock by the end of the next trading day, and the borrower does not declare any intention of exercising (and does not exercise) the voting rights attached to such shares.

Certain voting rights only have to be disclosed at 5% and 10% under DTR 5.1.5R as follows:

- an FSA-authorised manager's interest in voting rights attaching to shares managed for the shareholder under a written agreement;
- voting rights exercisable by the operator of an authorised unit trust scheme, a recognised scheme, or a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme;
- voting rights exercisable by an ICVC (Investment Company with Variable Capital); or
- voting rights exercisable by certain prescribed categories of investment entity (this includes US investment advisors, who are treated in the same way as EEA investment managers for the purposes of DTR 5).

Under DTR 5.2.1(e) and 5.2.2G(1), a parent company must generally aggregate its holdings with those of its "controlled undertakings". In certain circumstances, holdings of an asset manager and its parent may be required to be aggregated (see DTR 5.4). To avoid the requirement for such aggregation, a parent undertaking must ensure that it does not, and must be able to demonstrate to the FSA that it does not, interfere with the exercise of voting rights by the asset manager.

There are no criminal sanctions for non-compliance with shareholders, but section 91(1B) FSMA allows the FSA to impose a penalty on a person (of such amount as it considers appropriate) for breaching a provision of the DTRs. There may also be consequences for the issuer.

Disclaimer of Shareholdings under the Hong Kong Listing Rules

In Hong Kong, the company and its Directors, chief executives and shareholders have been granted a partial exemption from the disclosure requirements under Part XV of the SFO. As a result of this exemption, Directors, chief executives and shareholders no longer have an obligation under the SFO to notify the Company of shareholding interests, and the Company is no longer required to maintain a register of Directors' and chief executives' interest under section 352 of the SFO nor a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with the Hong Kong Stock Exchange any disclosure of interests made in the United Kingdom. In addition, the Company has adopted a code of conduct regarding securities transactions by Directors in accordance with the UK and Hong Kong Listing Rules.

CREST

Euroclear is the central securities depository for the UK, Ireland, the Isle of Man, Jersey and Guernsey. Euroclear owns and operates CREST. The Uncertificated Securities Regulations 2001 allow shares to be held in demateralised (uncertificated) form. CREST is a computerised system which allows shares to be held, and trades to be settled, electronically. The UK Listing Rules require companies considering listing their shares to ensure that their shares are eligible for electronic settlement. Euroclear are required to maintain and update a register of members holding uncertificated shares in each listed company (the "Operator Register"). Each listed company has a

Company Registrar who keeps a register of members who hold their shares in certificated form (the "Issuer Register") and a copy of the Operator Register, which is frequently updated. As share transfers are settled through CREST, CREST updates the company's Operator Register by issuing a "record update request" or "RUR". Only "users" can input instructions into CREST directly. A "user" may be a member. Members communicate directly or through gateway operators called "users". CREST members appoint a settlement bank which agrees to satisfy its payment obligations. CREST maintains a securities account (detailing shareholdings) and a cash memorandum account (detailing the member's credit limit set by the settlement bank) for each member. The terms of the trade are confirmed and the obligations of the buyer and seller determined (cleared) before the trade is settled. A transfer of shares is effected when CREST receives an electronic instruction from both the seller and the purchaser which match, provided there are sufficient securities and credit to complete the transaction.

A shareholder can hold shares in CREST one of four ways:

- as a direct user (a form of member): direct users have direct connections to CREST and are usually banks or stockbrokers;
- as a sponsored member: a sponsored member appoints a direct user to act on its behalf, but the sponsored member holds the stock in his own name, which appears on the company register of members;
- by holding shares through a nominee (a direct user): the nominee holds shares on behalf of the shareholder in an account with shares held on behalf of other clients. The nominee is a direct user and its name will appear on the company register of members; or
- by holding shares as a personal member (individual): a personal member is an individual who needs a sponsor but who has a securities account.

IDR Holders wishing to open a CREST account as a personal member should refer to "*Important procedure-related information – Opening of a CREST account*" below.

Important procedure-related Information

Making notifications in respect of the underlying Shares

Notifications must be made as soon as possible and in any case not later than two trading days (for UK issuers) after the date on which the notifying person learns, or having regard to the circumstances, should have learnt, of the event that has given rise to the requirement to make the disclosure. In general, a person will be deemed to have knowledge of the event no later than two trading days after the event has taken place. Notification must be made by the standard form available on the FSA website. The notification obligation is an individual obligation on each direct shareholder or indirect shareholder. When disclosure is made to an issuer whose shares are traded on a regulated market, a copy of the notification must also be filed electronically with the FSA. The issuer must as soon as possible make the disclosure public.

Opening of a CREST account

Investors who wish to become a sponsored member of CREST (a "Personal Member") should obtain a copy of the CREST Admission Agreement from their sponsor and complete and sign this and send it to their sponsor. The sponsor will usually be the applicant's bank or stockbroker, who is a direct user of CREST. The sponsor will record the application and carry out a preliminary check before forwarding the application to CREST who will scrutinise the application and, if satisfied, will enable the membership account.

Listing of the underlying Shares

Shareholders who are registered on the UK share register can move their shareholding onto the Hong Kong branch share register (and vice versa) by completing a transmission document (available from the UK and Hong Kong share registrars) and sending it together with their documents of entitlement to the UK or Hong Kong share registrars (Computershare Investor Services PLC and Computershare Hong Kong Investor Services Limited, respectively). Once processed their shareholding will move onto the other share register and the relevant share registrar will send the shareholder their new documents of entitlement.

SUMMARY OF CERTAIN PROVISIONS RELATING TO THE IDRS WHILE IN DEMATERIALISED FORM

The IDRs will initially be evidenced by Dematerialised IDRs. The Deposit Agreement contains provisions which apply to the IDRs while they are in dematerialised form. The following is a summary of certain of those provisions that are specifically applicable to Dematerialised IDRs only and includes, in particular, detailed information in relation to the exchange of Dematerialised IDRs for IDR Certificates. For detailed information on other material rights, obligations and entitlements applicable to IDR Holders holding Dematerialised IDRs, please refer to the section titled ''Frequently Asked Questions on the IDR Facility'' on pages 44 to 53 of this Red Herring Prospectus and also the other sections referred to therein. Unless otherwise defined herein, the terms defined in the Conditions shall have the same meaning herein and the numbering of the Conditions shall refer to the numbering as set out in the Deposit Agreement.

Individual IDR Certificates

The Depository will exchange IDRs represented by Dematerialised IDRs for IDR Certificates on request by an IDR Holder, but subject to payment of a sum per IDR Certificate which is determined by the Depository to be a reasonable charge to reflect the work, costs and expense involved, by such IDR Holder.

The Depository has also undertaken, subject to and in accordance with the Deposit Agreement, to deliver IDR Certificates in exchange for the Dematerialised IDRs to IDR Holders in the event that:

(i) either NSDL or CDSL or any successor advises the Depository in writing at any time that it is unwilling or unable to continue as a security depository and a successor security depository is not appointed within 90 days of such notice;

(ii) either NSDL or CDSL is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and no alternative clearing system satisfactory to the Depository is available within 45 days of such announcement; or

(iii) the Depository has determined that, on the occasion of the next payment in respect of the IDRs, the Depository or its agent would be required to make any deduction or withholding from any payment in respect of the IDRs which would not be required were the IDRs represented by IDR Certificates (provided that the Depository shall have no obligation to so determine or to attempt to so determine).

Any such exchange shall be at the expense (including printing costs) of the Company.

An IDR evidenced by an IDR Certificate will not be eligible for clearing and settlement through NSDL or CDSL.

Upon any exchange for IDR Certificates, or any distribution of IDRs pursuant to the Conditions or any reduction in the number of IDRs represented by Dematerialised IDRs following any withdrawal of Deposited Property pursuant to Condition 2, the relevant details shall be entered by the Depository in the Register maintained by the Depository (which shall be maintained at all times in India), whereupon the number of Deposited Shares represented by Dematerialised IDRs will be reduced or increased (as the case may be) accordingly.

No temporary documents of title have been or will be issued.

Payments, distributions and voting rights

Payments of cash dividends and other amounts (including cash distributions) in respect of the IDRs represented by Dematerialised IDRs will be made by the Depository through the Registrar on behalf of persons entitled thereto upon receipt of funds thereof from the Company. Any free distribution or rights issue of Shares to the Depository on behalf of the IDR Holders will result in the records of the Depository being adjusted to reflect the enlarged number of IDRs represented by Dematerialised IDRs.

Payments of dividends and other cash distributions payable in respect of the IDRs represented by Dematerialised IDRs will be made by the Depository in Rs.

IDR Holders will have voting rights in respect of the underlying Shares as set out in Condition 13 and Clause 9 of the Deposit Agreement. Voting rights will be exercised by the Depository only upon receipt of written instructions in accordance with the Conditions and the Deposit Agreement.

Under Condition 13, the Depository is entitled to receive a legal opinion with respect to Condition 13 in certain circumstances. If the Company is unable to procure the legal opinion specified in Condition 13.6(A), the Depository shall not be required to take any action pursuant to Condition 13.

Surrender of IDRs

Any requirement in the Conditions relating to the surrender of an IDR to the Depository shall be satisfied by the production by NSDL or CDSL, on behalf of a person entitled to an interest therein, of such evidence of entitlement of such person as the Depository may reasonably require, which is expected to be a certificate or other documents issued by NSDL or CDSL. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depository, the Registrar and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all monies or other property payable or distributable and to issue voting instructions in respect of the Deposited Property represented by such IDR.

Notices

Notices to IDR Holders may be given by the Depository by delivery of the relevant notice to the Registrar, for communication to IDR Holders. The Depository will, through the Registrar, provide notices to IDR Holders and so long as the IDRs are listed on the BSE and/or NSE and the rules of the BSE and/or NSE or the IDR Listing Agreements so require, published in a national newspaper in India.

TRANSFER OF EQUITY SHARES AND DEPOSITORY RECEIPTS

Transfer of Shares

Under the UK Listing Rules, the shares of a UK listed company must be freely transferable.

Transfer of IDRs

The IDRs are in registered form, 10 IDRs representing one Share. Title to IDRs represented by IDR Certificates passes by registration in the Register maintained, or procured to be maintained, by the Depository.

Title to IDRs represented by Dematerialised IDRs is evidenced by the Register and title to such IDRs passes in accordance with the procedures of NSDL and CDSL.

The Depository may refuse to accept a transfer of any IDRs in certain circumstances.

The IDR Holder will (except as otherwise required by law) be treated by the Depository and the Company as the beneficial owner of the relevant IDRs for all purposes (whether or not any payment or other distribution in respect of such IDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, any certificate issued in respect of it) and no person will be liable for so treating the IDR Holder.

Transfer restrictions in respect of IDRs

This offering is being made in reliance on Regulation S. The IDRs have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States or any other jurisdiction, and may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S, and in accordance with any other applicable law.

Each IDR Holder will be deemed to have represented and agreed and acknowledged as follows (terms used herein are defined in Regulation S):

(i) The IDRs and the underlying Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States or any other jurisdiction of the United States and are subject to restrictions on transfer.

(ii) It understands that all IDRs, unless otherwise agreed between the Company and the Depository, are subject to the restriction set out in the following legend (which legends for ''IDR'' Holders holding IDR Certificates, will also be endorsed on the IDR Cerfiticate):

"THIS REGULATION S INDIAN DEPOSITORY RECEIPT AND THE EQUITY SHARES OF STANDARD CHARTERED PLC REPRESENTED HEREBY (THE "SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY OTHER APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

THE HOLDER HEREOF, BY PURCHASING THE IDRS REPRESENTED BY THIS CERTIFICATE, AGREES FOR THE BENEFIT OF STANDARD CHARTERED PLC AND THE DEPOSITORY NAMED BELOW THAT OTHER THAN IN ACCORDANCE WITH APPLICABLE LAWS, IDRS MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON LOCATED IN ANY JURISDICTION OUTSIDE OF INDIA OR RESIDENT IN ANY JURISDICTION OUTSIDE OF INDIA, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, SUCH PERSON.

AN IDR HOLDER WILL BE ENTITLED TO WITHDRAW THE DEPOSITED PROPERTY REPRESENTED BY THE IDRS SUBJECT TO COMPLIANCE WITH APPLICABLE LAW.

NO PERSON SHALL BE PERMITTED TO MAKE ANY FURTHER DEPOSIT OF SHARES INTO THE IDR FACILITY."

(iii) The Company, the Depository, the purchasers and their respective affiliates and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(iv) It understands that the IDRs offered in reliance on Regulation S will be evidenced by the Dematerialised IDRs at the time of the Issue.

Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above stated restriction shall not be recognised by the Company or the Depository in respect of the IDRs or the Shares represented by the IDRs.

ISSUE PROCEDURE

This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. Bidders should note that the ASBA process involves different application procedures. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process.

Authority for the Issue

At its Annual General Meeting held on 7 May 2010, the Company obtained specific authority for the Board to allot Shares pursuant to the Issue.

This Issue has been authorised in principle by resolutions of the Board dated 28 October 2008 and 15 September 2009. The Draft Red Herring Prospectus was confidentially filed with SEBI with the approval of a committee of the Board pursuant to a resolution dated 26 February 2009. The public filing of the Draft Red Herring Prospectus was authorised by a resolution of the Board dated 15 September 2009 and a resolution of a committee of the Board dated 22 March 2010. The number of IDRs to be issued has been approved by a resolution of a committee of the Board dated 25 March 2010. The filing of this Red Herring Prospectus with the RoC has been approved by a resolution of the Board dated 6 May 2010. The filing of the Prospectus has been approved by a resolution of the Board dated [●].

Terms of the IDRs

Please see the section titled "*Terms and Conditions of the Indian Depository Receipts*" on page 356 of this Red Herring Prospectus.

Minimum Subscription

If a minimum subscription of 90% of the Issue is not received, including devolvement of Underwriters or if the subscription level falls below 90% after the Bid/Issue Closing Date on account of cheques having being returned unpaid or withdrawal of applications, within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received with interest to the subscribers at the rate of 15% p.a. for the period of the delay beyond 60 days.

If at least 50% of the Issue cannot be Allotted to QIBs, then the entire application money will be refunded forthwith.

The IDRs have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause of the BSE

A copy of the Draft Red Herring Prospectus was submitted to the BSE. The disclaimer clause as intimated by the BSE to the Company, after scrutiny of the Draft Red Herring Prospectus is included in the section titled "General Information" on page 26 of this Red Herring Prospectus.

Disclaimer Clause of the NSE

A copy of the Draft Red Herring Prospectus was submitted to the NSE. The disclaimer clause as intimated by the NSE to the Company, after scrutiny of the Red Herring Prospectus is included in the section titled "General Information" on page 26 of this Red Herring Prospectus.

Filing

A copy of the Draft Red Herring Prospectus was filed with the SEBI at Corporation Finance Department, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of this Red Herring Prospectus, along with the documents required to be filed, has been delivered for registration to the RoC and a copy of the Prospectus will be delivered for registration with the RoC at its office.

Listing

Applications have been made to the Stock Exchanges for permission to deal in and for an official quotation of the IDRs. BSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permissions to deal in and for an official quotation of the IDRs are not granted by any of the Stock Exchanges, the Company will forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid when the Company becomes liable to repay it, i.e. 15 days from the Bid/Issue Closing Date, then the Company, and every Director of the Company who is in default, shall, be liable to repay the money, with interest, at the rate of 15% p.a. on application money.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 Working Days from the Bid/Issue Closing Date.

Issue Structure

The Issue is being made through the 100% Book Building Process.

	QIBs[1]	*Non-Institutional Bidders*	*Retail Individual Bidders*	*Employee Portion*
Number of IDRs[2]	120,000,000 IDRs.	43,200,000 IDRs available for allocation or Issue less allocation to QIB Bidders and Retail Individual Bidders.	72,000,000 IDRs available for allocation or Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Not less than 4,800,000 IDRs.
Percentage of Issue size available for Allotment	At least 50% of Issue being Allotted.	Not less than 18% of Issue available for allocation or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 30% of Issue available for allocation or Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Not less than 2% of the Issue.
Basis of Allotment if respective category is oversubscribed	Proportionate.	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	Such number of IDRs that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] IDRs thereafter.	Such number of IDRs that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] IDRs thereafter.	Such number of IDRs that the Bid Amount exceeds Rs. 20,000 and in multiples of [●] IDRs thereafter.	Such number of IDRs that the Bid Amount exceeds Rs. 20,000 and in multiples of [●] IDRs thereafter.
Maximum Bid	Such number of IDRs not exceeding the Issue, subject to applicable limits.	Such number of IDRs not exceeding the Issue, subject to applicable limits.	Such number of IDRs whereby the Bid Amount does not exceed Rs. 100,000.	Such number of IDRs whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	[●] IDRs and in multiples of [●] IDRs thereafter.	[●] IDRs and in multiples of [●] IDRs thereafter.	[●] IDRs and in multiples of [●] IDRs thereafter.	[●] IDRs and in multiples of [●] IDRs thereafter.
Allotment Lot	[●] IDRs and in multiples of one IDR thereafter.	[●] IDRs and in multiples of one IDR thereafter.	[●] IDRs and in multiples of one IDR thereafter.	[●] IDRs and in multiples of one IDR thereafter.
Trading Lot	One IDR.	One IDR.	One IDR.	One IDR.
Who can apply[3]	A public financial institution as defined in section 4A of the Indian Companies Act a scheduled commerical bank, a Mutual Fund, a FII and sub-account registered with SEBI, other than a sub-account which is a	Resident Indian individuals, Eligible NRIs, HUF (in the name of the Karta), domestic companies, corporate bodies, scientific institutions, societies and trusts, a sub-account registered with SEBI which is a foreign	Resident Indian individuals, Eligible NRIs and HUF (in the name of the Karta).	Eligible Employees.

	QIBs[(1)]	*Non-Institutional Bidders*	*Retail Individual Bidders*	*Employee Portion*
	foreign corporate or foreign individual, a multilateral and bilateral development financial institution, a state industrial development corporation, an Eligible Insurance Company.	corporate or foreign individual.		
Terms of Payment	Bid amount shall be payable at the time of submission of the Bid cum Application Form to the Syndicate.(4)(5)	Bid amount shall be payable at the time of submission of the Bid cum Application Form to the Syndicate(5).	Bid amount shall be payable at the time of submission of the Bid cum Application Form to the Syndicate.(5)	Bid amount shall be payable at the time of submission of the Bid cum Application Form to the Syndicate.(5)

(1) The Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors. For further details, please see the section titled "*Issue Procedure*" on page 386 of this Red Herring Prospectus.

(2) The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue will be Allotted on a proportionate basis to QIBs. If at least 50% of the Issue cannot be Allotted to QIBs, then the entire application money will be refunded forthwith. Provided that out of the QIB Portion (excluding the Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 18% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, not less than 2% of the Issue shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received from them at an above the Issue Price, in the Employee Portion.

Under-subscription, if any, in any category except the QIB Category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange.

(3) In the case that the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and that they are in the same sequence in which they appear in the Bid cum Application Form.

(4) In case the Anchor Investor Issue Price is lower than the Issue Price, the balance amount shall be payable within two days of the Bid/Issue Closing Date.

(5) In the case of Bidders submitting ASBA Bid cum Application Form, the SCSB shall be authorised to block an amount equal to the Bid Amount in the ASBA Account as specified in the ASBA Bid cum Application Form.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Allotment of IDRs without assigning any reason. In the event of withdrawal of this Issue, a public notice shall be published in an English national newspaper and a Hindi national newspaper, each with a wide circulation in India and the Stock Exchanges shall be informed promptly.

Bid cum Application Form

Bidders (other than the Bidders applying through the ASBA process) are required to submit their Bids through the Syndicate. The Co-BRLM or its affiliate syndicate members can only process Bids from domestic non-institutional investors, retail investors and Eligible Employees. Further, QIB Bids can be procured and submitted only through the BRLMs or their affiliate Syndicate Members. In the case of QIB Bidders, the Company, in consultation with the BRLMs, may reject Bids at the time of acceptance of the Bid cum Application Form. In the case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that the IDRs will be Allotted to all successful Bidders only in dematerialised form. Bidders will not have the option of being Allotted IDRs in physical form. The IDRs on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bidders (other than Bidders applying through the ASBA process) shall only use the specified Bid cum Application Form bearing the stamp of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form for Allotment of IDRs.

ASBA Bid cum Application Form

In case of application in physical mode, the Bidder applying through the ASBA process shall submit the ASBA Bid cum Application Form at the relevant Designated Branch. In case of application in electronic form, the Bidder (other than those applying through the ASBA process) shall submit the ASBA Bid cum Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with the SCSB, and accordingly registering such Bids. ASBA Bid cum Application Forms should bear the stamp of the Designated Branch of the concerned SCSB. ASBA Bid cum Application Forms which do not bear the stamp will be rejected. Upon the filing of the Prospectus with the ROC, the ASBA Bid Cum Application Form shall be considered as an application form for Allotment of IDRs.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	*Colour of Bid cum Application Form*
Resident Indians and Eligible NRIs applying on a non-repatriation basis (ASBA & Non-ASBA)	White
Eligible NRIs, FIIs, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis (ASBA & Non-ASBA)	Blue
Anchor Investors*	White
Eligible Employees (ASBA & Non-ASBA)	Pink

* Bid cum Application forms for Anchor Investors have been made available at the office of the BRLMs.

Upon completing and submitting the Bid cum Application Form to the Syndicate or SCSBs, as the case may be, the Bidder is deemed to have authorised the Company to make the necessary changes in this Red Herring Prospectus as would be required for filing of the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

Who can Bid?

- Persons resident in India who are not minors in single or joint names (not more than three);
- HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in securities;
- Mutual Funds;
- Eligible NRIs on a repatriation basis or a non-repatriation basis, subject to applicable laws;
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to RBI regulations and the SEBI Regulations and regulations, as applicable);
- Eligible Insurance Companies;
- FIIs and sub-accounts registered with SEBI, subject applicable laws;
- State Industrial Development Corporations;

- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in securities;
- Scientific and/or industrial research organisations authorised to invest in securities; and
- Eligible Employees.

Participation by associates of BRLMs and Syndicate Members

The BRLMs and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe to or purchase IDRs, either in the QIB Portion (excluding Anchor Investors Portion) or in Non-Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

The BRLMs and any persons related to the BRLMs cannot apply in the Issue under the Anchor Investor Portion.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 4,200,000 IDRs, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price. In the case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry-specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Bids by Eligible NRIs

1. Bid cum Application Forms will be made available for Eligible NRIs at the principal office of the Company and with the Syndicate.
2. Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary ("NRO") accounts shall use the form meant for Resident Indians.
3. By subscribing to the IDRs under the Issue, the NRI is deemed to have represented and warranted to the Company, the BRLMs and the Co-BRLM that he/she is an Eligible NRI and is permitted to subscribe to IDRs and participate in the Issue under the laws of all relevant jurisdictions which apply to him/her and that he/she has fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities.

Bids by FIIs

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII may invest *inter alia* in IDRs.

Further RBI has clarified that FII's are permitted to invest in IDRs in accordance with the terms of the RBI Circular.

No single individual or single entity or group of entities in India, other than QIBs, shall hold, directly or indirectly, IDRs exceeding 5% of the Issue. No single QIB or a group of QIBs shall hold IDRs exceeding 15% of the Issue.

In accordance with the regulations of the RBI, no bank in India shall: (i) grant a loan to any investor for the purpose of subscribing for any IDRs; or (ii) grant a loan to any person which is secured against any IDRs.

Bids by Eligible Employees

The Bid must be for such minimum number of IDRs such that the Bid Amount exceeds Rs. 20,000 and in multiples of [●] IDRs thereafter, so as to ensure that the Bid Amount does not exceed Rs. 100,000. The Allotment in the Employee Portion will be on a proportionate basis. Bidders under the Employee Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may Bid at Cut-off Price.

Bids under Employee Portion by Eligible Employees shall be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink).

(b) The Bid must be for such minimum number of IDRs such that the Bid Amount exceeds Rs. 20,000 and in multiples of [●] IDRs thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed a Bid Amount of Rs. 100,000.

(c) Eligible Employees, as defined above, should mention their employee number at the relevant place in the Bid cum Application Form.

(d) The sole/ first bidder should be Eligible Employees.

(e) Only Eligible Employees would be eligible to apply in this Issue under the Employee Portion.

(f) Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for Allotment under this category.

(g) Eligible Employees who apply or Bid for IDRs of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-off Price. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000.

(h) Eligible Employees bidding under the Employee Portion may also Bid under the Retail Portion and Non-Institutional Portion and such Bids shall not be treated as multiple Bids.

(i) If the aggregate demand in this category is less than or equal to 4,800,000 IDRs at or above the Issue Price, full Allotment shall be made to the Eligible Employees to the extent of their demand.

(j) Under-subscription, if any, in the Employee Portion will be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange.

(k) If the aggregate demand in this category is greater than 4,800,000 IDRs at or above the Issue Price, Allotment shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para 'Basis of Allotment' on page 405 of this Red Herring Prospectus.

Bid by Eligible Insurance Companies

In case of a Bid made by an Eligible Insurance Company registered with the IRDA, a certified copy of the certificate of registration issued by IRDA must be lodged with the Bid cum Application Form along with the copy of IRDA's letter permitting such Eligible Insurance Company to subscribe to the IDRs. Failing this, the Company and the BRLMs reserve the right to reject the Bid provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

The above information is given for the benefit of the Bidders. The Company and the BRLMs and Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their own independent investigations and ensure that the number of IDRs bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders**: The Bid must be for such minimum number of IDRs such that the Bid Amount exceeds Rs. 20,000 and in multiples of [●] IDRs thereafter, so as to ensure that the Bid Amount does not exceed Rs. 100,000. In the case of revision of Bids, the Retail Individual Bidders must ensure that the Bid Amount does not exceed Rs. 100,000. In the case that the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the Cut-off option, the Bid would be considered for allocation under the

Non-Institutional Bidders Portion. The Cut-off Price option is an option given only to the Retail Individual Bidders and Eligible Employees bidding under the Employee Portion indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs)**: The Bid must be for such minimum number of IDRs such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] IDRs thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the Bid Amount upon submission of the Bid.**

In case of revision of Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 to be considered for allocation in the Non-Institutional Portion. In the case that the Bid Amount reduces to Rs. 100,000 or less due to a revision of Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at Cut-off Price'.

(c) **For Bidders in the Anchor Investor Portion**: The Bid must be for such minimum number of IDRs such that the Bid Amount exceeds Rs. 100 million and in multiples of [●] IDRs thereafter. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids. Bids cannot be submitted for more than 30% of the QIB Portion under the Anchor Investor Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/ Issue Period and are required to pay the Bid Amount upon submission of the Bid.** In case the Anchor Investor Issue Price is lower than the Issue Price, the balance amount shall be payable within two days of the Bid/Issue Closing Date.

(d) **For Employee Portion:** The Bid must be for such minimum number of IDRs such that the Bid Amount exceeds Rs. 20,000 and in multiples of [●] IDRs thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In the case of revision of Bids, Eligible Employees must ensure that the Bid Amount does not exceed Rs. 100,000. In the case that the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders Portion. The Cut-off option is an option given only to the Retail Individual Bidders and Eligible Employees indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of IDRs that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus. Retail Individual Bidders and Eligible Employees bidding under the Employee Portion should note that discount will not be offered on application but will be offered on Allotment. Hence, Retail Individual Bidders and Eligible Employees bidding under the Employee Portion should not deduct the Retail Discount while submitting the Bid cum Application Form. The excess amount paid at the time of bidding shall be refunded to the Retail Individual Bidders and Eligible Employees on Allotment.

Information for Bidders:

(a) The Bid/Issue Opening Date and Bid/Issue Closing Date shall be declared in this Red Herring Prospectus to be registered with the RoC and also published in an English national newspaper and a Hindi national newspaper, each with wide circulation in India.

(b) The Company will file this Red Herring Prospectus with the RoC at least three Business Days before the Bid/ Issue Opening Date.

(c) The Syndicate will circulate copies of this Red Herring Prospectus along with the Bid cum Application Form to potential investors and the copies of this Red Herring Prospectus will also be available with the SCSBs.

(d) Any investor (who is eligible to invest in the IDRs) who would like to obtain this Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Company's principal office or from any of the Syndicate.

(e) Eligible investors who are interested in subscribing for the IDRs should approach any of the BRLMs and Co-BRLM or Syndicate Members or their authorised agent(s) or SCSBs to register their Bids. The Co-BRLM or its affiliate syndicate members can only process the Bids from domestic non-institutional investors, retail investors and Eligible Employees.

(f) Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than the ASBA Bid cum Application Forms) should bear the stamp of the Syndicate. Bid cum Application Forms which do not bear the stamp of the Syndicate will be rejected. Physical ASBA Bid cum Application Forms shall be accepted by the Designated Branches in accordance with the SEBI Regulations and any circulars issued by SEBI in this regard. Bidders applying through the ASBA process also have an option to submit the ASBA Bid cum Application Form in electronic form.

The applicants may note that in case the DP ID and Client ID and PAN mentioned in the Bid cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate do not match with the DP ID and Client ID and PAN available in the Settlement Depository database, the application is liable to be rejected.

Method and Process of Bidding

(a) The Company and the BRLMs shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date in this Red Herring Prospectus with the RoC and also publish the same in two national newspapers (an English newspaper and a Hindi newspaper, each with a wide circulation in India). This advertisement shall be in the format prescribed in schedule XIII to the SEBI Regulations. The Price Band, Retail Discount and the minimum Bid lot will be decided by the Company in consultation with the BRLMs and advertised at least one Business Day prior to the Bid/Issue Opening Date in an English and a Hindi newspaper of wide circulation in India. The Syndicate and the SCSBs shall accept Bids from the Bidders (excluding Anchor Investors) during the Bid/Issue Period in accordance with the terms of the Syndicate Agreement.

(b) The Bid/Issue Period shall be for a minimum of three Business Days and shall not exceed 10 Business Days. The Bid/Issue Period may be extended, if required, by three additional Business Days, subject to the total Bid/Issue Period not exceeding 10 Business Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and also by indicating the change on the websites of the BRLMs and Co-BRLM and at the terminals of the Syndicate Members.

(c) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph titled "*Bids at Different Price Levels and Revision of Bids*" on page 394 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of IDRs bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of IDRs Bid for by a Bidder at or above the Issue Price will be considered for Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(d) The Bidder cannot Bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to the Syndicate or SCSB. Submission of a second Bid cum Application Form to either the same or to another Syndicate or SCSB will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point in time prior to the Allotment of IDRs in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "*Bids at Different Price Levels and Revision of Bids*" on page 394 of this Red Herring Prospectus.

(e) Except in relation to Bids received from the Anchor Investors, the Syndicate or the SCSB, as the case may be, will enter each Bid option into the electronic bidding system of the Stock Exchanges as a separate Bid and generate a Transaction Registration Slip ("TRS") for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(f) The Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Red Herring Prospectus, provided that the Co-BRLM and its affiliate syndicate members can only process Bids from domestic non-institutional investors, retail investors and Eligible Employees. Further QIB Bids can only be procured by BRLMs or their Affiliate Syndicate Members.

(g) The BRLMs shall accept Bids from the Anchor Investors during the Anchor Investor Bid/ Issue Period i.e. one Business Day prior to the Bid/Issue Opening Date. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.

(h) Along with the Bid cum Application Form, all Bidders (other than those applying through ASBA process) will make payment to the Escrow Account(s) in the manner described under the paragraph titled "*Escrow Mechanism for Bidders other than those applying through ASBA process*" on page 400 of this Red Herring Prospectus.

(i) Upon receipt of the ASBA Bid cum Application Form, whether submitted in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.

(j) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.

(k) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to such Bidder on request.

(l) The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount against the Allotted IDRs to the Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid cum Application Form, as the case may be. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

The applicants may note that in case the DP ID and client ID and PAN mentioned in the Bid Cum Application Form and entered the electronic bidding system of the Stock Exchange by the Syndicate do not match with the DP ID and client ID and PAN available in the Settlement Depository database, the application will have to be rejected.

Bids at Different Price Levels and Revision of Bids

(a) The Bidders can Bid at any price within the Price Band, in multiples of Rs. 1 (One). The Price Band, Retail Discount and the minimum Bid lot will be decided by the Company in consultation with the BRLMs and advertised at least one Business Day prior to the Bid/Issue Opening Date.

(b) The Company, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/Issue Period. The cap on the Price Band should not be more than 20% of the Floor Price of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band. In case of revision of the Price Band, the Bid/Issue Period will be extended subject to the total Bid/Issue Period not exceeding 10 Business Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges by issuing a press release and also by indicating the changes on the websites of the BRLMs, Co-BRLM and Syndicate Members.

(c) The Company, in consultation with the BRLMs, will finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

(d) The Company, in consultation with the BRLMs, will finalise the Anchor Investor Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Anchor Investors.

(e) The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of IDRs at a specific price. Retail Individual Bidders and Eligible Employees bidding under the Employee Portion may bid at the Cut-off Price. However, bidding at the Cut-off Price is prohibited for QIBs and Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders and Eligible Employees bidding under the Employee Portion, who Bid at the Cut-off Price, agree that they shall purchase the IDRs at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding under the Employee Portion other than those applying through ASBA process shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the Syndicate. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees bidding under the Employee Portion, who had Bid at the Cut-off Price, they shall receive the refund of the excess amounts from the respective Refund Account. In case of Retail Individual Bidders and Eligible Employees bidding under the Employee Portion submitting ASBA Bid cum Application Form bidding at Cut-off Price, such Bidders shall instruct the SCSBs to block an amount based on the cap of the Price Band.

(g) In the case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Portion who had Bid at Cut-off Price could either (i) revise their Bid, or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount, i.e. original Bid Amount plus additional payment, does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate or the SCSBs to whom the original Bid was submitted. In the case of the total amount (i.e. original Bid Amount plus additional payment) exceeding Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Retail Individual Bidder and Employee bidding under the Employee Portion does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to the revision, the number of IDRs Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In the case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Portion who have Bid at the Cut-off Price could revise their Bid, or the excess amount paid at the time of bidding would be refunded from the Refund Account (or in the case of ASBA Bids, the SCSB shall unblock the additional amount).

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] IDRs.

(j) Revisions can be made in both the desired number of IDRs and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also enter the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, such Bidder must still fill the details of the other two options that are not being revised in the Revision Form. The Syndicate or the SCSBs will not accept incomplete or inaccurate Revision Forms.

(k) The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same Syndicate or the SCSB through whom such Bidder had placed the original Bid.

(l) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(m) Any revision of the Bid (other than ASBA Bids) shall be accompanied by payment in the form of a cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the SCSB shall block the additional Bid Amount. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder (or, in the case of ASBA Bids, the SCSB shall unblock the additional amount) at the time of refund in accordance with the terms of this Red Herring Prospectus. In the case of QIB Bidders, the

BRLMs and their affiliates shall only collect the payment in the form of a cheque or demand draft for the incremental amount if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(n) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate or the SCSB, as applicable. **It is the responsibility of the Bidder to request and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(o) Only Bids that are uploaded on the online system of the Stock Exchanges shall be considered for Allotment.

(p) In case of ASBA Bids, SCSBs shall provide aggregate information about the numbers of ASBA Bid cum Application Forms uploaded, total number of IDRs and total amount blocked against the uploaded ASBA Bid cum Application Forms and other information pertaining to the Bidders to the Registrar to the Issue. The Registrar to the Issue shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs.

Electronic Registration of Bids

(a) The Syndicate and the SCSBs will register the Bids using the online facilities of the Stock Exchanges. There will be at least one online connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one Working Day from the Bid/Issue Closing Date.

(c) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate and their authorised agents during the Bid/Issue Period. The Syndicate and the Designated Branches can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the online facilities for Book Building on a regular basis. On the Bid/Issue Closing Date, the Syndicate shall upload the Bids until such time as may be permitted by the Stock Exchanges. Bidders are cautioned that a high inflow of Bids typically experienced on the last day of bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded may not be considered for allocation.

(d) The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be uploaded and displayed online at all bidding centres and on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price will be made available at the bidding centres during the Bid/Issue Period.

(e) At the time of registering each Bid, the Syndicate shall enter the following details of the investor in the online system:

(i) name of the Bidder;

(ii) investor category – Individual, Corporate, Eligible NRI, FII or Mutual Fund etc.;

(iii) numbers of IDRs Bid for;

(iv) Bid Amount that has been paid upon submission of Bid cum Application Form;

(v) Bid cum Application Form number; and

(vi) PAN, DP ID number and client identification number of the beneficiary account of the Bidder.

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the electronic bidding system:

- Name of the Bidder(s);
- Application Number;
- PAN;
- Number of IDRs Bid for; and
- DP ID number and client identification number of the beneficiary account of the Bidder.

(f) A system generated TRS will be given to the Bidder as proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the Syndicate or the Designated Branches. The registration of the Bid by the Syndicate or the Designated Branches does not guarantee that the IDRs shall be allocated either by the Syndicate or the Designated Branches or the Company.

(g) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(h) In the case of QIB Bidders, only the BRLMs and their Affiliate Syndicate Members have the right to accept the Bid or reject it. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In the case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding under the Employee Portion who Bid, Bids will not be rejected except for grounds listed on page 402 of this Red Herring Prospectus.

(i) The permission given by the Stock Exchanges to use their network and the software of the online system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company and/or the BRLMs and Co-BRLM is cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of the Company, its management or any scheme or project of the Company.

(j) It is also to be distinctly understood that the approval given by the Stock Exchanges should not in any way be deemed or construed as if the Draft Red Herring Prospectus has been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the IDRs will be listed or will continue to be listed on the Stock Exchanges.

(k) Details of Bids in the Anchor Investor Portion will not be registered on the electronic facilities of the Stock Exchanges.

Build-up of the Book

(a) Bids registered by various Bidders through the Syndicate and the SCSBs shall be electronically transmitted to the Stock Exchanges mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs and Co-BRLM on a regular basis.

(c) During the Bid/Issue Period, any Bidder who has registered his or her interest in the IDRs at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

GENERAL INSTRUCTIONS

Dos:

- Check if you are eligible to apply.
- Ensure that you have Bid within the Price Band;
- Read all the instructions carefully and complete the Bid cum Application Form.
- Ensure that the details about the PAN, the Settlement Depository Participant and the beneficiary account number are correct as Allotment of IDRs will be in dematerialised form only.
- Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of the Syndicate or with respect to ASBA Bids, ensure that your Bid is submitted at a Designated Branch of the SCSB where such Bidder or the person whose bank account will be utilised by the Bidder for bidding has a bank account.
- Details of Bids in the Anchor Investor Portion will not be registered on the online facilities of electronic facilities of the Stock Exchanges.
- Ensure that you have been given a TRS for all your Bid options.

- Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB.
- Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process.
- Submit revised Bids to the same Syndicate or the SCSBs, as the case may be, through whom the original Bid was placed and obtain a revised TRS.
- Except for Bids submitted on behalf of the Central Government or the State Government and officials appointed by a court, all Bidders should mention their PAN allotted under the Income Tax Act.
- Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects.
- Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Settlement Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in the same joint names and such names are in the same sequence as they appear in the Bid cum Application Form.

Don'ts:

- Do not Bid for lower than the minimum Bid size.
- Do not Bid/revise Bid price to less than the Floor Price or higher than the Cap Price.
- Do not Bid on another Bid cum Application Form after you have submitted a Bid to the Syndicate or the SCSBs.
- Do not pay the Bid Amount in cash, by money order, by postal order or by stockinvest.
- Do not send Bid cum Application Forms by post; instead submit the same to the Syndicate or the SCSBs only.
- Do not submit the GIR number instead of the PAN.
- Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders where Bid Amount exceeds Rs. 100,000).
- Do not fill in the Bid cum Application Form such that the number of IDRs bid for exceeds the Issue size and/or investment limit or maximum number of IDRs that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
- Do not Bid for a Bid Amount exceeding Rs. 100,000 (for Bids by Retail Individual Bidders and Eligible Employees bidding under the Employee Portion).

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.

(b) Completed in full, in capital letters in English and in accordance with the instructions contained herein, in the Bid cum Application Form or the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders and Eligible Employees bidding under the Employee Portion, the Bid must be for such minimum number of IDRs such that the Bid Amount exceeds Rs. 20,000 and in multiples of [●] IDRs thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of IDRs that the Bid Amount exceeds or is equal to Rs. 100,000 and in multiples of [●] IDRs thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) For Ancher Investors, Bids must be for a minimum of such member of IDRs that the Bid Amount exceeds as is equal to Rs. 100 million and in multiples of [●] IDRs thereafter.

(f) In a single name or in joint names (not more than three, and in the same order as their Settlement Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's PAN, Settlement Depository Participant Account and Bank Account Details

Bidders should note that on the basis of name of the Bidders, PAN, Settlement Depository Participant's name, DP ID and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Settlement Depository the demographic details including address, Bidders bank account details, MICR Code and occupation (hereinafter referred to as the ("Demographic Details")). These bank account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) or unblocking of ASBA Account. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Settlement Depository Participant. Please note that failure to do so could result in delays in dispatch/credit of refunds to Bidders or unblocking of ASBA Account at the Bidders' sole risk and none of the BRLMs and the Co-BRLM, the Syndicate Members, the Registrar to the Issue, or the Escrow Collection Banks the SCSBs, or the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Settlement Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR IDRs IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR PAN, SETTLEMENT DEPOSITORY PARTICIPANT'S NAME, SETTLEMENT DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE SETTLEMENT DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE SETTLEMENT DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details will be used for all correspondence with the Bidders including mailing of the CANs/Anchor Investor Allocation Notices and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder will be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available in its records.

Refund orders/Anchor Investor Allocation Notices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/Anchor Investor Allocation Notices/CANs may get delayed if the same, once sent to the address obtained from the Settlement Depositories, are returned undelivered. In such an event, the address and other details given by the Bidder (other than those applying through ASBA process) in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at such Bidders' sole risk and neither the Company, the Registrar to the Issue, Escrow Collection Bank(s) nor the BRLMs, the Co-BRLM and the Syndicate Members shall be liable to compensate such Bidder for any losses caused to such Bidder due to any such delay or liable to pay any interest for such delay.

In the case no corresponding record is available with the Settlement Depositories which matches three parameters, the PAN, the DP ID and the beneficiary's identity, then such Bids are liable to be rejected.

The Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/Anchor Investor Allocation Notices/refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Settlement Depository of the Bidder). In such cases, the Registrar to the Issue shall use the Demographic Details as given in the Bid cum Application Form instead of those obtained from the Settlement Depositories.

Refunds, dividends and other distributions, if any, will be payable in INR only and net of Depository charges and/or commission.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

Bids under Power of Attorney

In the case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies or registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or by-laws, must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

In the case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that the Company and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than those applying through ASBA process

(a) The Company and the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make the cheque or demand draft in respect of his/her Bid or revision of Bid payable. Cheques or demand drafts received for full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account.

(b) The Escrow Collection Bank(s) will act in terms of this Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank(s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer funds from the Escrow Account, as applicable, into the Public Issue Account with the Banker(s) to the Issue. The balance amount in the Escrow Account after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and this Red Herring Prospectus.

(c) The Bidders should note that the escrow mechanism is not prescribed by the SEBI and has been established as an arrangement between the Company, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

(d) Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on Allotment as per the following terms:

  (i) Bidders shall provide the Bid Amount with the submission of the Bid cum Application Form and draw a payment instrument for the Bid Amount in favour of the relevant applicable Escrow Account and submit the same to the Syndicate.

  (ii) The payment instruments for payment into the Escrow Account should be drawn in favour of:

    (a) In case of resident QIB Bidders: ''SCPLC IDR QIB R''

    (b) In case of non-resident QIB Bidders: ''SCPLC IDR QIB NR''

    (c) In case of resident Retail and Non-Institutional Bidders: ''SCPLC IDR R''

    (d) In case of non-resident Retail and Non-Institutional Bidders: ''SCPLC IDR NR''

    (e) In case of Eligible Employees: ''SCPLC IDR EMPLOYEE''

  (iii) Anchor Investors would be required to pay the Bid Amount at the time of submission of the Bid cum Application Form. In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price within two days of the Bid/Issue Closing Date. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them.

(iv) For Anchor Investors, the payment instruments for payment into the Escrow Account should be drawn in favour of:

(a) In case of resident Anchor Investors: "SCPLC IDR QIB R"

(b) In case of non-resident Anchor Investors: "SCPLC IDR QIB NR"

(v) In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External ("NRE") Accounts or Foreign Currency Non-Resident ("FCNR") Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

(vi) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(vii) On the Designated Date and no later than 12 Working Days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders (other than those applying through ASBA process) and also the excess amount paid on the Bid, if any, after adjusting for Allotment to such Bidders.

(viii) Payments should be made by cheque or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of, the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not a member or sub member of the banker's clearing house will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected.

Payment by stockinvest/cash/money order

Payment through stockinvest/cash/money order will not be accepted in this Issue.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Settlement Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of IDRs required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Notwithstanding the foregoing, Eligible Employees bidding under the Employee Portion may also Bid under the Retail Portion and Non-Institutional Portion and such Bids shall not be treated as multiple Bids.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

- All applications are electronically strung on first name, address (first line) and applicant's status. Further, these applications are electronically matched for common first name and address and, if matched, these are checked manually for age, signature and father/husband's name to determine if they are multiple applications.

- Applications which do not qualify as multiple applications as per the above procedure are further checked for common DP ID/beneficiary ID. In the case of applications with common DP ID/beneficiary ID, they are manually checked to eliminate the possibility of data entry error to determine if they are multiple applications.
- Applications which do not qualify as multiple applications as per the above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked to eliminate possibility of data capture error to determine if they are multiple applications.
- In the case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with the SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.
- In cases where there are more than 20 valid applications having a common address, such IDRs will be kept in abeyance, post-Allotment and released on confirmation of "know your client" norms by the depositories.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number

The Bidder or, in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the Income Tax Act. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. Any Bid cum Application Form without the PAN is liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**.

RIGHT TO REJECT BIDS

In the case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidders in writing. In the case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding under the Employee Portion who Bid, the Company has a right to reject Bids based on technical grounds.

GROUNDS FOR TECHNICAL REJECTION

Bidders are advised to note that Bids are liable to be rejected, *inter alia*, on the following technical grounds:

- the amount paid does not tally with the amount payable for the highest value of IDRs Bid for;
- age of first Bidder not given;
- in the case of partnership firms, IDRs may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bids by persons not competent to contract under the Indian Contract Act, 1872 including minors and insane persons;
- PAN not mentioned in the Bid cum Application Form;
- GIR number furnished instead of PAN;
- Bids for lower number of IDRs than specified for that category of investors;
- Bids at a price less than the Floor Price;
- Bids at a price more than the Cap Price;
- submission of more than five ASBA Bid cum Application Forms per bank account;
- Bids at the Cut-off Price by Non-Institutional and QIB Bidders;
- Bids for number of IDRs which are not in multiples of [●];
- category not ticked;
- multiple Bids as defined in this Red Herring Prospectus;
- in the case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

- Bids accompanied by stockinvest/money order/postal order/cash;
- signature of sole and/or joint Bidders missing;
- Bid cum Application Forms do not have the stamp of the BRLMs and Co-BRLM or Syndicate Members or the SCSB;
- Bid cum Application Forms do not have Bidder's Settlement Depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;
- with respect to ASBA Bids, inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Bid cum Application Form;
- in the case that no corresponding record is available with the depositories that matches three parameters, namely, the PAN, the DP ID and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids where clear funds are not available in the Escrow Account as per the final certificate from the Escrow Collection Bank(s);
- Bids in respect whereof the Bid cum Application Form do not reach the Registrar to the Issue prior to the finalisation of the Basis of Allotment;
- Bids by QIBs not submitted through the BRLMs;
- Bids by OCBs;
- Bids not duly signed by the sole/joint Bidders;
- Bids by any persons outside India, if such Bids are not in compliance with the applicable foreign and Indian laws;
- Bids by persons prohibited from buying, selling or dealing in the Shares directly or indirectly by the SEBI or any other regulatory authority;
- Bids by persons who are not eligible to acquire IDRs of the Company in terms of all applicable laws, rules, regulations, guidelines and approvals;
- Bids where clear funds are not available in the Escrow Account as per the final certificate from the Escrow Collection Bank;
- Bids by persons in the Employee Portion who do not qualify as Eligible Employees and who have not mentioned their employee number; and
- Bids by Eligible Insurance Companies which are submitted without the copy of the approval of the IRDA for participating in the Issue.

Price Discovery and Allotment

1. After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.
2. The Company in consultation with the BRLMs shall finalise the Issue Price.
3. The Allotment to QIBs will be at least 50% of the Issue on a proportionate basis. The Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Price on a discretionary basis, out of which at least one-third will be available for allocation to domestic Mutual Funds only. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a proportionate basis to QIBs, subject to valid Bids being received from them at or above the Issue Price.

   Not less than 18% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, in a manner specified in the SEBI Regulations and this Red Herring Prospectus, in consultation with the Designated Stock Exchange and subject to valid Bids being received at or above the Issue Price. Further, not less than 2% of the Issue shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received from them at or above the Issue Price, in the Employee Portion.

4. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange. If at least 50% of the Issue is not Alloted to the QIBs, the entire subscription monies shall be refunded.

5. The BRLMs, in consultation with the Company, shall notify the Syndicate of the Issue Price and Allotment made to their respective Bidders.

6. The Company reserves the right to cancel the Issue at any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. Under the terms of the SEBI Regulations, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date. Further Anchor Investors shall not be allowed to withdraw their Bids after the Anchor Investor Bid/ Issue Period.

7. The Allotment details shall be put on the website of the Registrar to the Issue.

Signing of the Underwriting Agreement and the RoC Filing

1. The Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price.

2. After signing the Underwriting Agreement, the Company will update and file the updated Red Herring Prospectus with RoC, which then would be termed the 'Prospectus'. The Prospectus will have details of the Issue Price, Issue size and underwriting arrangements and will be complete in all material respects.

Announcement of Pre-Issue Advertisement

The Company shall, upon registering this Red Herring Prospectus with the RoC, publish an advertisement, in the form prescribed under the SEBI Regulations, in two national newspapers (one each in English and Hindi), each with wide circulation in India.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC in an English national newspaper, a Hindi national newspaper, each with wide circulation. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price along with a table showing the number of IDRs and the amount payable by an investor. Any material updates between the date of this Red Herring Prospectus and the Prospectus shall be included in such statutory advertisement.

Notice to Anchor Investors: Allotment Reconciliation and Revised CANs

A physical book will be prepared by the Registrar to the Issue on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of the Company and the Syndicate, selected Anchor Investors may be sent either an Anchor Investor Allocation Notice or a CAN.

If the Issue Price is higher than the Anchor Investor Issue Price, Anchor Investors will be sent an Anchor Investor Allocation Notice within one day of the Bid/Issue Closing Date indicating the number of IDRs allocated to such Anchor Investor.

This Anchor Investor Allocation Notice will constitute a valid, binding and irrevocable contract (subject only to the issue of the CAN) for the Anchor Investor to pay the difference between the Issue Price and Anchor Investor Issue Price.

In the event the Issue Price is lower than the Anchor Investor Issue Price, the Anchor Investors who have been Allotted IDRs will directly receive a CAN from the Registrar to the Issue. The dispatch of the CAN shall be deemed a valid, binding and irrevocable contract for the Allotment of IDRs to such Anchor Investors.

Designated Date and Allotment of IDRs

The Allotment of IDRs to the Bidders shall be carried out by the following steps:

1. the BRLMs or the Registrar to the Issue shall send to the Syndicate a list of the Bidders who have been Allotted IDRs in the Issue. The approval of the Basis of Allotment by the Designated Stock Exchange for QIB Bidders may be made simultaneously with or prior to the approval of the Basis of Allotment for Retail Individual Bidders, Non-Institutional Bidders and Eligible Employees bidding under the Employee Portion. However, investors should note that the Company will ensure that the date of Allotment of the IDRs to all investors in this Issue shall be on the same date;
2. bidders who have been Allotted IDRs will directly receive the CAN from the Registrar to the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Allotment of IDRs to such Bidder;
3. the Shares of the Company underlying the IDRs will be issued in the form of book entries or in electronic form to the Custodian;
4. application shall be made to UK Listing Authority for the Shares underlying the IDRs to be admitted to the premium segment of Official List and to the London Stock Exchange and Hong Kong Stock Exchange for the underlying Shares to be admitted to trading;
5. the Custodian bank sends electronic confirmation of deposit of the underlying Shares to the IDR Depository;
6. the IDR Depository will issue a master creation format with the names of the successful Bidders. This document will be stamped and delivered to the Settlement Depositories, for dematerialisation and conversion to electronic form; and
7. each IDR Holder will be notified of its holding and assigned a deposit account number as an electronic record in respect of the IDRs it holds.

Further:

1. The Company will ensure that the Allotment of IDRs is made within 12 Working Days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company will ensure the credit to the successful Bidders' depository account is completed be within two Working Days of the date of Allotment.
2. IDRs will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the IDRs, if they so desire.
3. Investors are advised to instruct their Settlement Depository Participant to accept the IDRs that may be Allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The number of IDRs available under the Retail Portion shall be available for Allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 72,000,000 IDRs at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 72,000,000 IDRs at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●]. For the method of proportionate Basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The number of IDRs available under the Non-Institutional Portion shall be available for Allotment to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to 43,200,000 IDRs at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In the case that the aggregate demand in this category is greater than 43,200,000 IDRs at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] IDRs. For the method of proportionate Basis of Allotment refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders on a proportionate basis who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The Allotment would be decided by the Company in consultation with the BRLMs and would be at the sole discretion of the Company, based on various factors, such as nature of the Bidder, size, price and date of the Bid.
- The aggregate Allotment to QIBs shall be at least 120,000,000 IDRs.
- Allotment shall be undertaken in the following manner:

  (a) In the first instance Allotment to Mutual Funds for up to 5% of the QIB Portion (excluding Anchor Investor Portion) shall be determined as follows:

    (i) In the event that Bids by Mutual Fund exceed 5% of the QIB Portion (excluding Anchor Investor Portion), Allotment to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding Anchor Investor Portion).

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding Anchor Investor Portion) then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.

    (iii) IDRs remaining unsubscribed, if any, not Allotted to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance Allotment to all QIBs shall be determined as follows:

    (i) In the event of oversubscription in the QIB Portion (excluding the Anchor Investor Portion), all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted IDRs on a proportionate basis for up to 95% of the QIB Portion (excluding the Anchor Investor Portion).

    (ii) Mutual Funds, who have received Allotment as per (a) above, for less than the number of IDRs Bid for by them, are eligible to receive IDRs on a proportionate basis along with other QIB Bidders.

    (iii) Under-subscription below 5% of the QIB Portion (excluding Anchor Investor Portion), if any, from Mutual Funds, would be included for Allotment to the remaining QIB Bidders on a proportionate basis.

D. For Anchor Investor Portion

- Allocation of IDRs to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of the Company, in consultation with the BRLMs, subject to compliance with the following requirements:

  (a) not more than 30% of the QIB Portion will be allocated to Anchor Investors;

  (b) one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;

  (c). allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation upto Rs. 2,500 million and minimum number of five Anchor Investors for allocation more than Rs. 2,500 million.

- The number of IDRs allocated to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the BRLMs before the Bid/ Issue Opening Date by intimating the same to the Stock Exchanges.
- IDRs Allotted to Anchor Investors shall be subject to a lock-in for a period of 30 days from the date of Allotment of IDRs.

E. For Employee Portion

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. Allotment to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 4,800,000 IDRs at or above the Issue Price, full Allotment shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 4,800,000 IDRs at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] IDRs and in multiple of one IDRs thereafter.
- Only Eligible Employees are eligible to apply under the Employee Portion.

Method of Proportionate Basis of Allotment for Retail Individual Bidders, Non-Institutional Bidders and Eligible Employees

In the event of the Issue being over-subscribed, the Company shall finalise the Basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

(a) Bidders will be categorised according to the number of IDRs applied for.

(b) The total number of IDRs to be Allotted in the category of Retail Individual Bidders, Non-Institutional Bidders and Eligible Employees bidding under the Employee Portion shall be arrived at on a proportionate basis, which is the total number of IDRs applied for by such category (number of Bidders in the category multiplied by the number of IDRs applied for) multiplied by the inverse of the over-subscription ratio.

(c) In all Bids where the proportionate Allotment is less than [●] IDRs per Bidder, the Allotment shall be made as follows:

- the successful Bidders out of the total Bidders for a category shall be determined by drawing of lots in a manner such that the total number of IDRs Allotted in that category is equal to the number of IDRs calculated in accordance with (b) above; and
- each successful Bidder shall be Allotted a minimum of [●] IDRs.

(d) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the market lot), the decimal would be rounded up to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded down to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

PAYMENT OF REFUND

Bidders other than those applying through ASBA process must note that on the basis of the name of the Bidders, the name of the Settlement Depository Participant, DP ID and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Settlement Depository, the Bidders' bank account details, including the MICR code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Settlement Depository Participant. Please note that failure to do so could result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar to the Issue, the Escrow Collection Bank(s), the Bankers to the Issue nor the BRLMs, the Syndicate Members and the Co-BRLM shall be liable to compensate the Bidders for any losses caused to the Bidders due to any such delay or be liable to pay any interest for such delay.

Mode of making refunds

The payment of refunds, if any, for Bidders other than those applying through ASBA process would be made through various modes as given hereunder:

- ECS – Payment of refunds would be made through ECS for applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf from the Settlement Depository. The payment of refunds is mandatory for applicants having a bank account at any of such centres, except where the applicant, being eligible, opts to receive a refund through NEFT, direct credit or RTGS.
- Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
- RTGS – Applicants having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds Rs. five million, have the option to receive a refund through RTGS. Such eligible applicants who indicate their preference to receive refunds through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
- NEFT – Payment of refund shall be undertaken through NEFT wherever the applicant's bank has been assigned the IFSC, which can be linked to a MICR, if any, available to that particular bank branch. The IFSC will be obtained from the website of the RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC of that particular bank branch and the payment of refunds will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheque, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Refund Orders

The Company shall give credit to the beneficiary account with Settlement Depository Participants within 12 Working Days from the Bid/Issue Closing Date. Applicants (other than those applying through the ASBA process) residing at centres where clearing houses are managed by the RBI and other banks, will get refunds through ECS only except where the applicant is otherwise disclosed as eligible to get refunds through direct credit or RTGS. The Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk within 12 Working Days from the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post informing them about the mode of credit of refund within 12 Working Days from the Bid/Issue Closing Date.

The Company will provide adequate funds required for dispatch of refund orders or CANs or Anchor Investor Allocation Notices to the Registrar to the Issue.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by us, as Refund Bank, and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

DISPOSAL OF APPLICATIONS AND APPLICATION MONIES AND INTEREST IN CASE OF DELAY

The Company shall ensure the dispatch of CANs, Anchor Investor Allocation Notices and refund orders (except for Bidders who receive refunds through electronic transfer of funds), give benefit to the beneficiary account with Settlement Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two Working Days of the date of Allotment of IDRs.

In the case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 Working Days from the Bid/Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 12 Working Days of the Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the IDRs are proposed to be listed are taken within 12 Working Days from the Bid/Issue Closing Date.

In accordance with the requirements of the Stock Exchanges and the SEBI Regulations, the Company further undertakes that:

- Allotment of IDRs shall be made only in dematerialised form within 12 Working Days of the Bid/Issue Closing Date;
- refund orders will be dispatched or, in a case where the refund or portion thereof is made in electronic manner, the refund instructions will be given to the clearing system within 12 Working Days of the Bid/Issue Closing Date; and
- if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within 15 days from the Bid/Issue Closing Date, the Company shall pay interest at 15% p.a. for any delay beyond that 15 day period.

UNDERTAKINGS BY THE COMPANY

The Company undertakes the following:

i. that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;

ii. that all steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed are taken within 12 Working Days from the Bid/Issue Closing Date;

iii. that it shall apply in advance for the listing of IDRs and the underlying shares;

iv. that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Company;

v. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working Days of the Bid/Issue Closing Date giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

vi. that the certificates of the securities or refund orders to the NRI shall be dispatched within specified time;

vii. that no further issue of securities shall be made until the securities offered through this Red Herring Prospectus are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.; and

viii. that adequate arrangements shall be made to collect all ASBA Bid cum Application Form and to consider them similar to non-ASBA applications while finalizing the Basis of Allotment.

IDRs IN DEMATERIALISED FORM WITH NSDL AND CDSL

- The Allotment of IDRs in this Issue shall be only in a dematerialised form (i.e. not in the form of physical certificates) but be fungible and be represented by the statement issued through the electronic mode.
- In this context, the Company has executed the following agreements:
  - agreement dated 20 April 2010 between NSDL, the Company and the Registrar to the Issue; and
  - agreement dated 16 April 2010 between CDSL, the Company and the Registrar to the Issue.

  Additionally the Company has also executed deeds of assignment to assign the rights and obligations under the Tripartite Agreements to the Depository.

- All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her Settlement Depository account are liable to be rejected.
- A Bidder applying for IDRs must have at least one beneficiary account with either of the Settlement Depository Participants of either NSDL or CDSL prior to making the Bid.
- The Bidder must fill in the details (including the Beneficiary Account Number and DP ID number) appearing in the Bid cum Application Form or Revision Form or ASBA Revision Form.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Settlement Depository Participant) of the Bidder.
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Settlement Depository. In the case of joint holders, the names must be in the same sequence as they appear in the account details in the Settlement Depository.
- If incomplete or incorrect details are given under the heading 'Bidders Settlement Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Settlement Depository Participant.
- IDRs in electronic form can be traded only on the Stock Exchanges having electronic connectivity with Settlement Depositories. All the Stock Exchanges where IDRs are proposed to be listed have electronic connectivity with Settlement Depositories.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first bidder, Bid cum Application Form number, Bidders' Settlement Depository account details, number of IDRs applied for, date of the Bid cum Application Form, name and address of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted IDRs in the respective beneficiary accounts, refund orders etc.

TAXATION FRAMEWORK IN INDIA AND UK

United Kingdom Taxation

General

The following statements are only a guide to the general position and are based on current UK taxation legislation and published practice of HM Revenue and Customs in the UK at the date of this Red Herring Prospectus, both of which are subject to change, possibly with retrospective effect. These statements relate solely to persons who are neither resident nor (if an individual) ordinarily resident in the UK, who are absolute beneficial owners of IDRs (and not trustees), who hold their IDRs as an investment and not as trading stock and who have not (and are not deemed to have) acquired their IDRs by reason of an office or employment.

The comments below are not exhaustive and may not apply to certain classes of IDR Holders such as (but not limited to) dealers in securities, insurance companies and collective investment schemes. They also assume that an IDR Holder is beneficially entitled to the Shares and to the dividends on those Shares.

If investors are in any doubt as to their tax position, or if investors are subject to tax in a jurisdiction other than the UK, investors should consult their own professional advisers. Investors who are considering converting their IDRs into Shares should consult their own professional advisers.

Withholding tax

The Company will not be required to make a withholding or deduction for or on account of UK tax when paying a dividend on the Shares.

Dividends

An IDR Holder who is not resident for tax purposes in the UK should not, in general, be subject to UK income tax or corporation tax on dividends paid on the Shares unless the IDR Holder's IDRs are attributable to a trade, profession or vocation carried on by the IDR Holder in the UK through a branch or agency or, in the case of a corporate IDR Holder, through a permanent establishment.

Chargeable Gains

An IDR Holder who is neither resident nor (if an individual) ordinarily resident in the UK will not normally be liable to UK tax on any capital gains realised on the disposal of IDRs, unless the IDRs are used, held or acquired for the purposes of a trade, profession or vocation carried out in the UK through a branch or agency or, in the case of a corporate IDR Holder, through a permanent establishment. Such an IDR Holder may be subject to foreign taxation on any gain under local law.

An IDR Holder who is an individual and who has ceased to be resident or ordinarily resident in the UK for UK tax purposes for a period of less than five years of assessment and who disposes of all or part of their IDRs during that period of non-residence may be liable on their return to the UK to taxation on chargeable gains arising during the period of absence, subject to any available exemption or relief. This paragraph only applies to IDRs that were owned at the time the IDR Holder ceased to be resident or ordinarily resident in the UK.

In the event that an IDR Holder is permitted to exercise the right to convert their IDRs into Shares, the IDR Holder, as beneficial owner of the Shares, should not be liable to UK tax on receipt of those Shares or on the direct transfer of those Shares to the nominated CREST account of the IDR Holder.

Stamp Duty and Stamp Duty Reserve Tax

The Finance Act 1986 provides that where shares are issued to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, SDRT is payable at the rate of 1.5% of the issue price of the shares. This liability for SDRT will strictly speaking fall on the Depository but the Company has agreed to pay all applicable stamp duties and other similar duties or taxes payable in the United Kingdom on or in connection with the issue of the IDRs.

The lawfulness of this 1.5% SDRT charge is in considerable doubt following the European Court of Justice ("ECJ") ruling, in C-569/07 *HSBC Holdings Plc, Vidacos Nominees Limited v The Commissioners of Her Majesty's Revenue & Customs*, that the 1.5% SDRT charge on the issue of shares into a clearance service is contrary to EU law.

Although the decision of the ECJ deals with the issue of chargeable securities into a clearance system, HM Revenue and Customs have implied that they accept that the same reasoning applies to an issue of chargeable securities into a depository receipt arrangement, but dispute that this extends to issuers of depository receipts which are resident outside the EU. As such, there remain uncertainties as to territorial scope and as to how the decision may impact depository receipts. If the decision is held to apply to the issue of securities into non-EU depository receipt schemes, the 1.5% SDRT charge may be unlawful. It is at this stage unclear whether legislative change will be introduced to charge transfers of depository receipts where either no entry charge has been paid or the entry charge has been reclaimed.

No liability for stamp duty should arise on a transfer of IDRs, provided that any document effecting such transfer is not executed in the UK and remains at all times outside the UK. Any agreement to transfer IDRs should not give rise to a liability for SDRT.

In the event that an IDR Holder is permitted to exercise the right to convert their IDRs into Shares, no stamp duty or SDRT should be payable on the resulting acquisition of Shares by the IDR Holder. This should also be the case if the Shares are transferred directly from the Custodian to the nominated CREST account of the IDR Holder. However, any subsequent transfer of the Shares would be subject to stamp duty or SDRT, normally at 0.5% of the amount or value of the consideration.

Inheritance tax

The following is only a general guide as to how the IDRs may be treated for the purposes of UK inheritance tax and IDR Holders should consult their own professional advisers.

The IDRs may constitute assets situated in the UK for the purposes of UK inheritance tax. In particular, the death of an IDR Holder who is an individual, or the death of an individual who has within a certain time period prior to death made a gift of IDRs, may result in a liability to UK inheritance tax even if such individual was neither domiciled in the UK nor treated as being domiciled there under rules relating to long residence or previous domicile.

Indian Taxation

Under Income-tax Act, 1961

The following is a summary of the principal Indian tax consequences for investors investing in the IDRs. The summary is based on the taxation law and practice in force in India at the time of this Red Herring Prospectus and is subject to change. Further, it only addresses the tax consequences for persons who acquire IDRs and who hold such IDRs as capital assets. It does not address the tax consequences which may be relevant to other classes of investors, including dealers. It does not address the tax consequences arising post conversion of IDRs into Shares. This summary is not intended to constitute a legal opinion or to be a complete analysis under Indian law of the tax consequences of the ownership, transfer of the IDRs or conversion of IDRs into Shares.

Each prospective investor is advised to consult its tax advisers about the particular tax consequences to it on account of an investment in the IDRs including, specifically, tax consequences under Indian Income-tax Act, 1961 ('Income-tax Act') and the applicable double tax avoidance treaty ('DTAA') entered into by the Government of India.

Investors should note that the draft Direct Taxes Code Bill, 2009 (DTC) has recently been issued by the Indian Government for public comments; the DTC seeks to replace the existing Income-tax Act. Once the Bill is passed, it could have an impact on the tax implications for IDR holders under the current Income tax Act discussed below (please refer to paragraph titled "Direct Taxes Code Bill, 2009" for brief discussion).

Income-tax on IDR Holders

The Income-tax Act is the law relating to taxes on income in India. The Income-tax Act provides for the taxation of persons resident in India on global income and persons not resident in India on income received, accruing or arising in India or deemed to have been received, accrued or arising in India. Sections 4, 5 and 9 of the Income-tax Act set forth the circumstances under which residents and non-residents in India are subject to income tax in India. Under these provisions of the Income-tax Act, capital gains on transfer of IDRs listed on the Indian Stock Exchanges shall be considered as accruing or arising in India and shall be taxable in India. Further, under these provisions of the Income-tax Act, dividends paid to resident IDR Holders shall be taxable in India. Dividends paid to non-resident IDR Holders shall be taxable in India, if it is received in India or deemed to be received by IDR Holders in India.

Presently, there are no specific tax provisions under the Income-tax Act with respect to taxation of IDRs. The following summary applicable to income earned by the IDR Holders pursuant to the ownership and transfer of IDRs, is therefore based on the general provisions under the Income-tax Act. All rates specified in this section are based on the Finance (No. 2) Act, 2009 and are subject to revision and change every financial year.

IDR Holders should note that various tax treatments, tax benefits and concessions which are available to investors holding equity shares of an Indian-listed company may not be available to them.

The discussion below on the tax rates covers only certain specific categories of IDR Holders viz resident individuals and corporates, corporate FIIs, foreign companies and non-resident Indians. It does not cover other categories of taxpayers such as resident firms, HUFs, etc, as well as non-resident non-corporate entities.

Taxation of dividends

Under the Income-tax Act, dividends declared by an Indian company (or any other company which has made the prescribed arrangement for the declaration and payment of dividends in India), shall be subject to a dividend distribution tax payable by the company. Such dividends shall then be exempt from tax in the hands of the shareholder under section 10(34) of the Income-tax Act. This exemption from dividend income under section 10(34) is not applicable to dividends paid to IDR Holders and accordingly, the dividends received by the IDR Holders in India shall be taxable in the hands of the IDR Holders. Please refer to the table below for a summary of the tax rates applicable on dividend income earned by various categories of IDR Holders.

Dividends received by resident IDR Holders shall not be subject to deduction of tax at source. However, dividends received by non-resident IDR Holders may be subject to deduction of tax at the applicable rates, where the dividend is chargeable to tax in India.

Tax rate on dividends

Resident assesses:

Resident individual assesses will be taxable on dividends at the rates applicable to the relevant income slabs, with the maximum rate of 30%, plus education cess at the rate of 3% of the tax.

Resident corporates will be taxable on dividends at the rate of 30%, plus surcharge at the rate of 10%[1] and education cess at the rate of 3% of the tax and surcharge.

Non-resident assesses:

FIIs and other foreign companies will be taxable on the dividend income at the tax rate of 20%, plus surcharge at the rate of 2.5% and education cess at the rate of 3% of the tax and surcharge, under the provisions of section 115AD and section 115A of the Income-tax Act, respectively.

Non-resident Indians will be taxable on dividends at the rates applicable to the relevant income slabs, with the maximum rate of 30%, plus education cess at the rate of 3% of the tax.

Taxation of capital gains

Presently, there are no specific provisions in the Income-tax Act with respect to taxation of capital gains on sale of IDRs. Further, IDR Holders should note that the tax exemptions and concessions which are currently available to investors holding equity shares of an Indian-listed company may not be available to IDR Holders. Accordingly, IDR Holders will be liable to capital gains tax on transfer of IDRs.

Under the Income-tax Act, there are two types of capital gains: 'long-term capital gains' and 'short-term capital gains'. A gain arising on the sale of shares in a company, listed securities or units will be considered as long-term capital gains if they are held for a period exceeding 12 months and a gain arising on the sale of these assets held for 12 months or less will be considered as a short-term

1 Surcharge will be applicable only where the total income exceeds Rs. 10 million. The rate of surcharge is proposed to be reduced to 7.5% vide the Finance Bill, 2010 (Bill) introduced in the Indian Parliament on February 26, 2010. The Bill will be discussed in the Parliament before it is enacted and is therefore subject to any amendments that may be made pursuant to these discussions.

capital gain. Since IDR will be a listed security, the capital gains on sale thereof will be considered long-term if the IDR is held for more than 12 months from the date of purchase.

Section 48 of the Income-tax Act prescribes the mode of computation of capital gains. It provides for the deduction of (i) the cost of acquisition/improvement and (ii) expenses incurred (in connection with the transfer of a capital asset), from the sale consideration to arrive at a capital gains figure. In respect of long-term capital gains, it offers a benefit by permitting substitution of the cost of acquisition/improvement with the indexed cost of acquisition/improvement by a cost inflation index as prescribed from time to time by the Central Government.

Rates of tax on capital gains

Section 10(38) of the Income-tax Act exempts income arising from transfer of long-term capital asset being equity share or a unit of an equity-oriented fund on which securities transaction tax ('STT') has been paid. Further, under section 111A of the Income-tax Act, short-term capital gains arising on transfer of equity shares in a company or a unit of an equity-oriented fund are taxed at the concessional rate of 15%, plus applicable surcharge and education cess.

Based on the current provisions of Chapter VII of the Finance (No.2) Act, 2004, pertaining to STT, IDRs should not be subject to STT. Accordingly, the corresponding exemption from long-term capital gains tax under section 10(38) of the Income-tax Act and the concessional tax rate for short-term capital gains under section 111A of the Income-tax Act will not be available to IDR Holders on transfer of IDRs.

Long-term capital gains on sale of IDRs

Resident assesses:

For resident assesses, under section 112 of the Income-tax Act, long-term capital gains on sale of IDRs will be subject to tax at the rate of 20%, plus surcharge at the rate of 10%[1] (only for corporates) and education cess at the rate of 3% of the tax and surcharge. The computation of capital gains will be subject to cost indexation benefits. However, as per the proviso to section 112(1) of the Income-tax Act, if the tax on long-term capital gains resulting on transfer of listed securities (which should include IDRs), calculated at the rate of 20% with indexation benefits exceeds the tax on long-term capital gains computed at the rate of 10% without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10%, plus applicable surcharge and education cess.

Non-resident assesses:

Under section 115AD of the Income-tax Act, FIIs will be taxable at the concessional tax rate of 10% plus surcharge at the rate of 2.5% and education cess at the rate of 3% of the tax and surcharge, on long-term capital gains on sale of IDRs.

For foreign companies (other than FIIs), as well as non-resident Indians, under section 112 of the Income-tax Act, long-term capital gains on sale of IDRs will be subject to tax at the rate of 20%, plus surcharge at the rate of 2.5% (only for foreign companies) and education cess at the rate of 3% of the tax and surcharge. The aforesaid tax rate is subject to indexation benefits. However, as per the proviso to section 112(1) of the Income-tax Act, if the tax on long-term capital gains resulting on transfer of listed securities (which should include IDRs), calculated at the rate of 20% with indexation benefits exceeds the tax on long-term capital gains computed at the rate of 10% without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10% plus applicable surcharge and education cess.

Short-term capital gains on sale of IDRs

Resident assesses:

Resident individual assesses will be taxable on short-term capital gains on sale of IDRs at the rates applicable to the relevant income slabs, with the maximum rate of 30%, plus education cess at the rate of 3% of the tax.

Resident corporates will be taxable on short-term capital gains on sale of IDRs at the rate of 30%, plus surcharge at the rate of 10%[1] and education cess at the rate of 3% of the tax and surcharge.

Non-resident assesses:

Under section 115AD of the Income-tax Act, FIIs will be taxable at the tax rate of 30% plus surcharge at the rate of 2.5% and education cess at the rate of 3% of the tax and surcharge, on short-term capital gains on sale of IDRs. Further, foreign companies (other than FIIs) will be taxable at the rate of 40% plus applicable surcharge of 2.5% on income tax and education cess at the rate of 3% of the tax and surcharge.

Non-resident Indians will be taxable on short-term capital gains on sale of IDRs at the rates applicable to the relevant income slabs, with the maximum rate of 30%, plus education cess at the rate of 3% of the tax.

Benefits available to Mutual Funds

As per the provisions of section 10(23D) of the Income-tax Act, any income of the following mutual funds would be exempt from tax:

– mutual funds registered under the Securities and Exchange Board of India, Act 1992 ('SEBI Act') or Regulations made thereunder;
– mutual funds set up by public sector banks or public financial institutions or authorised by the Reserve Bank of India and subject to such conditions as the Central Government may specify by notification in the Official Gazette.

Accordingly, the aforesaid mutual funds would not be taxable in respect of dividend/capital gains earned on transfer of IDRs.

Please refer to the table below for a summary of the rates of tax on dividends and capital gains for various categories of assesses:

Nature of Income	**Mutual Funds**	**Resident assesee**					**Non-resident assessee**
		Corporate[2] *(Existing)*	*Corporate*[3] *(Proposed vide Finance Bill, 2010)*	*Individual*[4]	*Corporate*[5]		*Non-resident Indian*[6]
					FII	*Non-FII*	
Dividend Income	Nil	33.99%	33.22%	Tax rate based on applicable income slabs, subject to maximum of 30.90%	21.12%	21.12%	Tax rate based on applicable income slabs, subject to maximum of 30.90%
Long-term Capital Gains	Nil	11.33% (without indexation)	11.07% (without indexation)	10.30% (without indexation)	10.56%	10.56% (without indexation)	10.30% (without indexation)
		22.66% (with indexation)	22.15% (with indexation)	20.60% (with indexation)		21.12% (with indexation)	20.60% (with indexation)
Short-term Capital Gains	Nil	33.99%	33.22%	Tax rate based on applicable income slabs, subject to maximum of 30.90%	31.67%	42.23%	Tax rate based on applicable income slabs, subject to maximum of 30.90%

2 Tax rates includes surcharge of 10% (where the total income exceeds Rs 10 million) and education cess of 3%
3 Tax rates includes surcharge of 7.5% (where the total income exceeds Rs 10 million) and education cess of 3% (the Bill will be discussed in the Parliament before it is enacted and is therefore subject to any amendments that may be made pursuant to these discussions)
4 Tax rates includes education cess of 3%
5 Tax rate includes surcharge of 2.5% (where the total income exceeds Rs 10 million) and education cess of 3%
6 Tax rates includes education cess of 3%

Applicable slab rates for individuals are as under:

<table>
<tr><th>Total income</th><th>Rates of income-tax (Existing)</th><th>Rates of income-tax (Proposed vide Finance Bill, 2010[7])</th></tr>
<tr><td>(1) where the total income does not exceed Rs 160,000*</td><td>Nil</td><td>Nil</td></tr>
<tr><td>(2) where the total income exceeds Rs 160,000* but does not exceed Rs 300,000</td><td>10% of the amount by which the total income exceeds Rs 160,000*</td><td rowspan="2">10% of the amount by which the total income exceeds Rs 160,000*</td></tr>
<tr><td>(3) where the total income exceeds Rs 300,000 but does not exceed Rs 500,000</td><td>Rs 14,000 plus 20% of the amount by which the total income exceeds Rs 300,000</td></tr>
<tr><td>(4) where the total income exceeds Rs 500,000 but does not exceed Rs 800,000</td><td>Rs 54,000 plus 30% of the amount by which the total income exceeds Rs 500,000</td><td>Rs 34,000 plus 20% of the amount by which the total income exceeds Rs 500,000</td></tr>
<tr><td>(5) where the total income exceeds Rs 800,000</td><td>Rs 144,000 plus 30% of the amount by which the total income exceeds Rs 800,000</td><td>Rs 94,000 plus 30% of the amount by which the total income exceeds Rs 800,000</td></tr>
</table>

7 The Bill will be discussed in the Parliament before it is enacted and is therefore subject to any amendments that may be made pursuant to these discussions.

* Rs 190,000 in the case of resident women below 65 years of age and Rs 240,000 in the case of every individual who is 65 years or more of age.

Tax exemption on investment of long-term capital gains on transfer of IDRs

As per the provisions of section 54EC of the Income-tax Act and subject to the conditions and to the extent specified therein, long-term capital gains arising on transfer of IDRs will not be chargeable to tax if the capital gains are invested (upto a maximum of Rs 5 million) in a "long-term specified asset", within a period of six months from the date of transfer. If only part of capital gains is so invested, exemption shall be proportionately reduced. However, if the said "long-term specified asset" is transferred or converted into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax in such year. The "long-term specified asset" specified for this section is a bond redeemable after three years issued by the National Highway Authority of India or by the Rural Electrification Corporation.

Further, as per the provisions of section 54F of the Income-tax Act and subject to the conditions and to the extent specified therein, long-term capital gains arising to an individual or Hindu Undivided Family (HUF), on transfer of IDRs will not be chargeable to tax if the net consideration from such IDRs is used for purchase of residential house property within a period of one year before or two years after the date of which the transfer took place or for construction of residential house property within a period of three years after the date of transfer. However, this is subject to the condition that the individual or HUF should not own more than one residential house, other than the new asset, on the date of the transfer of original asset. If the cost of residential house property is less than net consideration then exemption shall be proportionately reduced. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

Conversion of IDRs into Shares

Conversion of IDRs into Shares may be considered as a taxable transfer, in the absence of specific exemption in the Income-tax Act in this regard and may therefore be taxable.

Tax Treaties

Section 90(2) of the Income-tax Act provides that where the Government of India has entered into an agreement with the Government of any other country for granting relief of tax, then in relation to an assessee to whom such agreement applies, the provisions of the Income-tax Act shall apply to the extent they are more beneficial to that assessee. Based on the same, in the case of non-resident IDR Holders, the provisions of the DTAA between India and the country of residence of such IDR Holder, to the extent they are more beneficial than the provisions of the Income-tax Act, will apply in determining such IDR Holder's Indian tax liability.

Direct Taxes Code Bill, 2009

The Finance Minister released the Direct Taxes Code Bill, 2009 (DTC) for public comments along with a discussion paper on 12 August 2009. The DTC seeks to replace the existing Income-tax Act. The Government's intention is to make the DTC effective from 1 April 2011. The DTC may undergo changes upon receipt of comments/representations from various stakeholders, pursuant to which a bill for introduction of a new DTC is likely to be presented before the Indian Parliament. It is possible that the current provisions of the DTC may undergo amendments based on the outcome of the public comments. Accordingly, it is currently unclear what effect the DTC would have on investors in IDRs. The following is a brief summary of the provisions of the DTC, as they stand currently, relating to taxation of dividends and capital gains on sale of IDRs.

Classification:

The DTC does not contain specific provisions dealing with the taxation of IDRs. Under the DTC, all assets are classified into business assets and investment assets.

This summary only discusses the proposed tax consequences for persons who acquire IDRs and who hold such IDRs as investment assets. It does not discuss the tax consequences which may be relevant to persons who acquire IDRs as business assets.

Taxation of Dividend

Dividend received by IDR Holder will not be subject to dividend distribution tax and consequently, the same will be taxable in hands of IDR Holder. In the case of resident assessee, the dividend will be taxable under head income from residuary source at the applicable tax rates based on the income slabs mentioned above. In the case of non-resident assessee, where such dividend is received in India, it will be taxed at the rate of 20%.

Taxation of capital gains

Unlike in the case of the current provisions of the Income-tax Act, the DTC does not provide any beneficial/concessional regime for capital gains tax on listed equity shares vis-à-vis IDRs. The DTC does not provide for levy of securities transaction tax. Under the DTC, capital gains arising on sale of IDRs are proposed to be treated on par with capital gains on sale of equity shares. Under the DTC, there is also no distinction between short-term capital asset and long-term capital asset. However, for investment assets transferred after one year from the end of the financial year of acquisition of the asset, the benefit of indexation is proposed to be made available.

Section 47 of the DTC prescribes the mode of computation of capital gains. It provides for the deduction of (i) (indexed) cost of acquisition/ improvement and (ii) expenditure incurred (in connection with the transfer of a investment asset) from the full value of consideration. The applicable tax rates for capital gains on sale of IDRs under the DTC may be summarised as under:

Assessee	**Tax rate**[8]
Non-resident assesses	30%*
Resident assesses:	
– Individual / co-operative society	Applicable slab rates (Refer table below)
– Non-profit organisation	15%
– Every unincorporated body (firm, association of person, body of individuals)	30%
– Local authority	30%
– Company	25%

8 Surcharge and Cess chargeable as specified under the relevant Finance Act

* Every foreign company may be liable to branch profits tax at the rate of 15% on its branch profits (total income less income-tax thereon).

Applicable slab rates for individuals:

Total income	***Rates of income-tax***
(*1*) where the total income does not exceed Rs 160,000*	Nil
(*2*) where the total income exceeds Rs 160,000* but does not exceed Rs 1,000,000	10% of the amount by which the total income exceeds Rs 160,000*
(*3*) where the total income exceeds Rs 1,000,000 but does not exceed Rs 2,500,000	Rs 84,000 *plus* 20% of the amount by which the total income exceeds Rs 1,000,000
(*4*) where the total income exceeds Rs 2,500,000	Rs 384,000 *plus* 30% of the amount by which the total income exceeds Rs 2,500,000

* Rs 190,000 in the case of resident women below 65 years of age and Rs 240,000 in the case of every individual who is 65 years or more of age.

LITIGATION

As of the date of this Red Herring Prospectus, neither the Company, any member of the Group, any Director or any material associate of the Company are involved in any material governmental, legal or arbitration proceedings or litigation and the Company is not aware of any pending or threatened material governmental, legal or arbitration proceedings or litigation relating to the Company, any member of the Group, any Director or any material associate of the Company which, in either case, may have a significant effect on the performance of the Group, and there are no material statutory liabilities or defaults, or arrears and potential liabilities that may arise from governmental proceedings or regulatory actions relating to the Company, any member of the Group, any Director or any material associate of the Company and thus would be required to be disclosed under the SEBI Regulations.

REGULATORY ENVIRONMENT

Standard Chartered's operations throughout the world are regulated and supervised by the relevant central banks and regulatory authorities in each of the jurisdictions in which Standard Chartered has offices, branches and subsidiaries. These authorities impose certain reserve and reporting requirements and controls (e.g. capital adequacy, liquidity, depositor protection and prudential supervision) on banks. In addition, a number of countries in which Standard Chartered operates impose additional limitations on (or that affect) foreign or foreign-owned or controlled banks and financial institutions, including:

- restrictions on the opening of local offices, branches or subsidiaries and the types of activities that may be conducted by those local offices, branches or subsidiaries;
- restrictions on the acquisition of local banks or requiring a specified percentage of local ownership; and
- restrictions on investment and other financial flows entering or leaving the country.

The FSA is the principal supervisor for Standard Chartered on a consolidated basis. The FSA has been responsible for authorising and supervising UK banks since 1 June 1998, when the Bank of England Act 1998 transferred responsibility for banking supervision from the Bank of England to the FSA. Standard Chartered is not regulated or supervised by the RBI. The RBI regulates the branch operations of Standard Chartered Bank in India, which form part of the global operations of the Group.

Changes in the supervisory and regulatory regimes of the countries where Standard Chartered operates, particularly in Asia, the Middle East and Africa, will determine to some degree the services and products that Standard Chartered will be able to offer in those markets and how Standard Chartered structures specific operations there.

Indian Regulation and Supervision

The RBI is the primary regulatory authority responsible for overseeing the operations of banks in India. The Ministry of Finance of the government of India, in consultation with the RBI, governs the foreign investment aspects of the Indian banking sector. The Banking Regulation Act is the umbrella legislation in the Indian banking sector. It governs the establishment of banks, their operation and management. The RBI Act, on the other hand, is the statute which established the RBI, and primarily governs its operation, including empowering it to supervise other banks in India. The banking sector in India is a highly regulated sector. However, the laws applicable thereto are not consolidated. The Banking Regulation Act is supplemented by secondary legislation such as circulars and notifications. In addition to RBI, SCB and other group entities in India are regulated by regulators like the Securities Exchange Board of India, National Securities Depository Limited, Central Depository Services (India) Limited and the Telecom Regulatory Authority of India due to other businesses conducted in India.

Banking laws in India are enforced primarily by licensing, reporting, supervision and penalisation. Commercial banks in India are required under the Banking Regulation Act to obtain a licence from the RBI to carry on banking business in India. Before granting the licence, the RBI must be satisfied that certain conditions are complied with, including: (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; and (iv) that the public interest will be served if such licence is granted to the bank. Foreign banks seeking a banking licence in India may be subject to additional scrutiny before such licence is granted. The RBI may cancel any licence for violations of the conditions under which it was granted or if the bank ceases to carry on banking operations in India.

The RBI has also stipulated guidelines for consolidated accounting and consolidated supervision for banks. Under these guidelines, as a supervisory tool, banks are required to prepare consolidated financial statements intended for public disclosure. Banks are also required to submit to the RBI consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis. Further, the Banking Regulation Act specifically requires banks to maintain books and records in a particular manner and file the same with the RBI on a periodic basis. The Know Your Customer Guidelines framed by the RBI also provide for certain records to be maintained for a minimum period of ten years.

Banks in India are subject to the capital adequacy requirements of the RBI, which are based on the guidelines of the Basel Committee on Banking Supervision. Banks are required to submit quarterly reports in relation to the evaluation of compliance with the capital adequacy framework to the RBI.

The RBI conducts regular inspections of banking companies under the provisions of the Banking Regulation Act. The RBI monitors prudential parameters at quarterly intervals. To this end, and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on aspects such as:

- assets, liabilities and off-balance sheet exposures;
- the risk weighting of these exposures, the capital base and the capital ratio;
- the unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management; and
- other prudential parameters.

The RBI also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. On-site supervision of selected branches of banks with respect to their general operations and foreign exchange related transactions is also conducted by the RBI as and when it deems fit.

The RBI may impose penalties on banks and their employees in the case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. RBI can also file complaints to competent courts for any alleged breach of the Banking Regulation Act and the penalty may also include imprisonment. Banks are required to disclose the penalty in their annual reports.

The RBI has also stipulated ownership and governance norms for banks which require ultimate ownership and control of a private sector bank to be well diversified. Under the Banking Regulation Act, no single entity or group of related entities are permitted to exercise voting rights over more than 10% of the paid-up equity capital of a private sector bank. Any higher level of acquisition requires prior approval of the RBI. The RBI also has significant powers as regards the management of a bank. No appointment or reappointment or termination of appointment of a chairman, managing or whole time director, manager or CEO, by whatever name called, can have effect unless such appointment, reappointment or termination of appointment is made with the prior approval of the RBI.

The government of India also regulates foreign ownership of Indian banks. The total foreign ownership in a private sector bank cannot exceed 74% of the paid-up capital, and shares held by FIIs within this limit of 74% cannot exceed 49% of the paid-up capital.

United Kingdom Regulation and Supervision

The primary statute governing the regulation of UK banks is FSMA. The provisions of European Community directives provide a framework for regulation of banks throughout the EU and the wider EEA. These directives are implemented through legislation and national implementing rules.

Regulatory capital requirements are based on the EU Capital Requirements Directive (CRD), which applies to all UK authorised banks from 1 January 2008. The FSA requires banks to hold capital on authorisation ('initial capital') and also capital against risks. The former represents a minimum although for most banks the capital they are required to hold against risks will be significantly in excess of the authorisation minimum.

Pursuant to its rule-making powers under FSMA, the FSA has issued rules and guidance, including prudential requirements for the authorisation of banks, which are contained in the FSA Handbook. The FSA monitors authorised institutions through interviews and the review of periodically required reports relating to financial and prudential matters. The FSA may obtain independent reports, usually from the auditors of an authorised institution, as to the adequacy of systems governing internal controls as well as systems governing records and accounts. The FSA may also object, on prudential grounds, to persons who hold, or intend to hold, 10% or more of the shares or voting power in a financial institution. The criteria for approval of shareholder controllers have been harmonised across the EU by the Acquisitions Directive which was implemented in the UK on 21 March 2009 by the Financial Services and Markets Act 2000 (Controllers) Regulations 2009.

Under FSMA, the FSA is also responsible for the regulation of entities conducting investment business in the UK. Thus, it is responsible for regulating Standard Chartered's activities in the UK in securities and contractually-based investments, and its investment management business. The FSA has also implemented restrictions (derived from EU directives) on a bank's "large exposures". A large exposure is an exposure of 10% or more of a bank's Tier 1 plus Tier 2 capital: (i) to an individual counterparty; (ii) to connected counterparties; and (iii) to a group of connected clients. Generally, a large exposure may not exceed 25% of the bank's Tier 1 plus Tier 2 capital (less deductions) and the total of all large exposures cannot exceed 800% of the bank's Tier 1 and Tier 2 capital (less deductions). These limits may be exceeded in respect of exposures arising out of short-term trading activities (although the FSA is consulting on removing this treatment in CP 09/29). The limits are also modified when applied on a consolidated basis.

As the supervisor of Standard Chartered on a consolidated basis, the FSA receives information on the capital adequacy of, and sets requirements for, the Group as a whole. The FSA meets regularly with Standard Chartered's senior executives to confirm that Standard Chartered adheres to the FSA's prudential requirements. The FSA and senior executives regularly discuss fundamental matters relating to Standard Chartered's business, such as strategic and operating plans, risk control, loan portfolio composition and organisational changes.

The Financial Services Compensation Scheme ("FSCS") is an independent body set up under FSMA to insure deposits and investments with authorised institutions in the UK up to a maximum of £50,000 and applies, basically, to retail customers. Corporate deposits are not insured other than certain small business deposits. The FSA is responsible for determining the rules within which the scheme operates, including persons' eligibility to make a claim, and the level of compensation that is payable. Under amendments made to the EU Deposit Protection Directive a harmonised limit of €100,000 per authorised entity will be introduced with effect from 31 December 2010 unless an impact assessment by the European Commission, due by 31 December 2009, concludes that this is not necessary. This impact assessment has not yet been published and the increased limit is still under discussion. No changes to the UK compensation limit are anticipated in advance of this.

However, other changes have been introduced including speeding up the payment of compensation, ensuring the FSCS has early access to information, simplifying the eligibility criteria and allowing payments to be made on a gross basis. Most of these changes will come into effect on 31 December 2010, although the changes to eligibility were introduced on 1 August 2009.

The FSA has powers to intervene in the affairs of an authorised institution in the event that it ceases to comply with applicable prudential requirements. The FSA may, in appropriate cases, take disciplinary action against individuals and banks that fail to comply with applicable regulatory requirements. These can include banning individuals, the imposition of fines and the withdrawal of authorisation in a serious case.

The Banking Act 2009 introduced three pre-insolvency stabilisation options as well as two new insolvency procedures for banks in financial difficulties. The intention is to provide the Treasury, the FSA and the Bank of England (the "Authorities") with a range of tools to deal with failing banks. The Act replaced the temporary powers set out in the Banking (Special Provisions) Act 2008 which lapsed on 21 February 2009.

The stabilisation options comprise:

- The sale of all or part of a bank to a private sector purchaser ("PSP").
- The transfer of all or part of a bank to a "bridge bank" wholly-owned by the Bank of England ("Bridge Bank").
- The transfer of a bank or a bank holding company into temporary public ownership ("TPO").

These powers apply only to a UK bank or bank holding company. They do not apply to overseas banks with a branch in the UK.

A stabilisation power may only be exercised if the FSA is satisfied that: (1) the bank is failing, or is likely to fail, to satisfy the threshold conditions for authorisation within the meaning of section 41(1) of FSMA; and (2) having regard to timing and other relevant circumstances it is not reasonably likely that action will be taken by or in respect of the bank to satisfy those conditions.

In exercising any of the stabilisation powers, or the new insolvency procedures, the Authorities must have regard to specified objectives. These are the protection and enhancement of the stability of the UK financial systems, the stability of the UK banking systems, protecting depositors, protecting public funds and avoiding unjustified interference with property rights. These objectives are to be balanced as appropriate in each case. The Treasury is required to publish a code of practice about the use of the new powers, although this code is not legally binding. The code was published in February 2009.

The Bank of England can exercise the PSP or Bridge Bank powers if it is satisfied (after consultation with the Treasury and the FSA) that it is necessary having regard to the public interest in the stability of the UK financial systems, the maintenance of public confidence in the stability of the UK banking systems or the protection of depositors.

The Treasury may exercise the TPO power if it is satisfied (after consultation with the Bank of England and the FSA) that either the exercise of the power is necessary to resolve or reduce a serious threat to the stability of the UK financial systems or that it is necessary to protect the public interest where the Treasury has provided financial assistance to the bank.

The stabilisation powers are supplemented by a broad range of powers to transfer shares or property (including foreign property) as well as overriding contractual rights that could interfere with the transfer.

In addition, the Banking Act creates two new insolvency procedures for failing banks: the bank insolvency procedure provided for by the Bank Insolvency (England and Wales) Rules, 2009, and the bank administration procedure, provided for by the Bank Administration (England and Wales) Rules 2009.

The Bank of England, the FSA or the Secretary of State may apply to the court to make a bank insolvency order. An order may be made if (i) the bank is unable, or is likely to become unable, to pay its debts, (ii) winding up would be in the public interest or (iii) winding up the bank would be fair. The bank must have depositors eligible to be compensated under the FSCS (banks that do not have such depositors may still be subject to the stabilisation powers referred to above, or to administration or winding up under the Insolvency Act 1986.)

Once a bank insolvency order is made the liquidator has two objectives. The first is to work with the FSCS to ensure, as soon as is reasonably practicable, that accounts are transferred to another bank, or eligible depositors receive compensation under the FSCS. Once this objective has been accomplished, the task of the liquidator is to wind up the affairs of the bank so as to achieve the best results for the bank's creditors as a whole. The general law of insolvency applies with some modifications to a bank insolvency and the liquidator has similar powers to get in the bank's assets and, once the eligible deposits have been transferred, or compensation paid, creditors will receive a distribution in accordance with their rights.

Other insolvency proceedings remain possible (e.g. administration or liquidation), although no application can be determined until the FSA has decided not to apply for a bank insolvency order.

The Banking Act 2009 also introduces a new bank administration regime. This may be used where part of the business of a UK bank is sold to a commercial purchaser, or is transferred to a Bridge Bank, under the stabilisation powers. The purpose of bank administration is principally to ensure that the non-sold or non-transferred part of the bank continues to provide services to enable the purchaser or Bridge Bank to operate effectively. Once the Bank of England notifies the bank administrator that the residual bank is no longer required by the commercial purchaser or Bridge Bank, the bank will proceed to a normal administration where the objective is either to rescue the residual bank as a going concern or, if this is not possible, to achieve a better result for the bank's creditors as a whole than in a winding up.

In addition, the Financial Services Act 2010 requires the FSA to make rules requiring financial institutions to create and maintain recovery and resolution plans (commonly referred to as "living wills") in preparation for potential adverse scenarios that could compromise their business model.

Hong Kong Regulation and Supervision

Banking in Hong Kong is primarily subject to the provisions of the Banking Ordinance, and to the powers, functions and duties given by the Banking Ordinance to the HKMA. The principal function of the HKMA is to promote the general stability and effective working of the banking system in Hong Kong. The HKMA is responsible for supervising compliance with the provisions of the

Banking Ordinance and also supervises compliance with the HKMA's guidelines, and legislation promulgated by the SFC. The Chief Executive of Hong Kong has the power to give directions to the HKMA and the Financial Secretary of Hong Kong, which the Banking Ordinance requires them to follow. The Banking Advisory Committee, whose members are appointed by the Financial Secretary under the delegated authority conferred by the Chief Executive and which is chaired by the Financial Secretary, advises the Chief Executive on matters connected with the Banking Ordinance. In particular it advises in relation to banks and the carrying on of banking business in Hong Kong.

The HKMA has responsibility for authorising banks and has discretion to attach conditions to its authorisation. The HKMA expects every authorised institution to have in place a comprehensive risk management system to identify, measure, monitor and control the various types of risk within its activities and, where appropriate, to hold capital against those risks.

The HKMA adopts a risk-based supervisory approach which seeks to determine whether authorised institutions have appropriate systems of risk management and internal control. This approach involves the preparation of an institutional overview (based primarily on internal and public sources of data, as well as information gathered from periodic on-site visits) and a risk assessment narrative designed to identify the type, level and direction of risks of an authorised institution. The HKMA will prepare a planning and scope memorandum for the purpose of planning the supervisory work and defining the examination activities. A risk-focused on-site examination is performed to evaluate the effectiveness of the risk management system of the authorised institution for each type of inherent risk. The results of this exercise are factored into the CAMEL rating (CAMEL is an internationally recognised framework for assessing capital adequacy, asset quality, management, earnings and liquidity. The overall rating is expressed through the use of a numerical scale of 1 to 5 in ascending order of supervisory concern). The process is complemented by on-site visits, prudential interviews with the senior managers and overseas head offices and annual tripartite meetings with the institution and its external auditors.

If the power of the HKMA to propose revocation of authorisation of an authorised institution becomes exercisable, and the HKMA:

(i) considers that it is necessary in the interests of depositors or potential depositors of the institution; or

(ii) is advised by the Financial Secretary that he considers that it is in the public interest,

that urgent action be taken, the HKMA may, after consultation with the Financial Secretary suspend its authorisation for no more than 14 days, or for up to six months, which may be renewed for an additional six months.

The HKMA may also revoke authorisation in the event of an institution's non-compliance with certain provisions of the Banking Ordinance or on any other ground specified in the Banking Ordinance.

The Banking Ordinance and related subsidiary legislation requires that banks submit to the HKMA certain returns and other information and establishes certain minimum standards and ratios, for example relating to capital adequacy, liquidity, capitalisation, limitations on shareholdings, exposure to any one customer, unsecured advances to persons affiliated with the bank and holdings of interests in land, with which banks must comply.

To facilitate more effective cooperation with other financial supervisory authorities, the Banking Ordinance enables the HKMA to cooperate and assist with other recognised financial supervisory authorities in Hong Kong and abroad. The Banking Ordinance's secrecy provisions permit the HKMA to, subject to certain conditions, exchange information with such other authorities in a place outside Hong Kong, and also permit the HKMA to disclose information to the Chief Executive, the Financial Secretary and other financial officials, where the HKMA thinks such disclosure is desirable or expedient that information should be so disclosed in the interests of depositors, potential depositors or the public or where the disclosure would aid the recipients in the exercise of their functions and is not contrary to the interests of the depositors, potential depositors or the public.

The HKMA has entered into a Memorandum of Understanding with the SFC pursuant to which the HKMA shall be responsible for the day-to-day supervision of the regulated activities carried out by authorised institutions. The SFC is an independent non-governmental statutory body outside the civil service, responsible for regulating the securities and futures markets in Hong Kong. It regulates all corporations and individuals licensed to carry out regulated activities. It also has power to investigate and take action against market misconduct, and other breaches of the SFO and related legislation.

There are other regulatory and enforcement bodies in Hong Kong whose supervisory and investigative functions are relevant and applicable to businesses generally undertaken by banks, namely: the Mandatory Provident Fund Authority, which regulates and monitors the operation of the Mandatory Provident Fund System and compliance with the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong); the Privacy Commissioner's Office for Personal Data, which oversees the enforcement of the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong); the Insurance Authority (Office of the Commissioner of Insurance), which administers the Insurance Companies Ordinance (Cap. 41 of the Laws of Hong Kong) and regulates insurers and insurance intermediaries and the Hong Kong Federation of Insurers, a self-regulatory body of insurers which promulgates codes of practice applicable to insurers and insurance agents; and the Joint Financial Intelligence Unit, which receives suspicious money laundering transactions reports and passes them to the appropriate law enforcement authorities for investigation.

Singapore Regulation and Supervision

Banking in Singapore is regulated by and subject to the provisions of the Singapore Banking Act and the subsidiary legislation issued thereunder, which are administered by the MAS. Under the provisions of the Singapore Banking Act and the MAS Act, the MAS is empowered to issue notices, directives, circulars, guidelines and recommendations from time to time to banks in Singapore.

The MAS is a statutory body set up under the MAS Act and is accountable to the Parliament of Singapore through the Minister of Finance. The objectives of the MAS include the promotion of price stability conducive to the sustainable growth of the Singapore economy as well as fostering a sound and progressive financial services sector.

The MAS may (under conditions of secrecy) inspect the books (which include any records or accounts) of any bank in Singapore. It may (again under conditions of secrecy) investigate the books of any bank in Singapore suspected of carrying on business in a manner likely to be detrimental to the interests of depositors and other creditors or having insufficient assets to meet its liabilities to the public or contravening the provisions of the Singapore Banking Act. Its supervision of banks and other financial institutions in Singapore is carried out through a system of on-site inspections, review of data and other information provided to the MAS and analytical reviews of statistical and other information submitted by these institutions. The MAS may appoint an independent auditor to exercise its power of inspection and investigation. The key areas of the MAS's concern are the quality of management, earnings and assets and adequacy of capital and liquidity, operational and technology risk, market risk, legal and reputational risk and market conduct.

The MAS also relies on internal auditors and approved external auditors to identify weaknesses and areas of non-compliance. Banks are required to submit a copy of their external auditor's reports to the MAS together with the annual accounts. An external auditor is required under the Singapore Banking Act to immediately report to the MAS if he comes across any serious violations of the Singapore Banking Act, criminal offences involving fraud or dishonesty, losses that reduce the capital funds of the bank by 50% or more, serious irregularities and inadequacy of assets to cover the claims of creditors.

The Singapore Banking Act requires banks to submit to the MAS returns and other information and establishes certain minimum standards relating to capital adequacy, liquidity, capitalisation, shareholdings, exposure to any single counterparty or counterparty group, unsecured exposures to any director group and holdings of interests in immovable property, with which banks must comply.

Furthermore, the head offices of foreign banks who have banking operations in Singapore are usually required by the MAS, as a condition of their licence to conduct banking business in Singapore to give an undertaking to provide financial support to their banking operations in Singapore in times of need.

The MAS also has powers to institute actions, for instance, where a bank is suspected of carrying on business in a manner likely to be detrimental to the interests of depositors or other creditors or where the MAS deems necessary in the interests of the public. It may appoint a person to advise a bank on the proper management of its business or assume control of and manage the business of the bank. The Singapore Banking Act also contains conditions and procedures for the MAS to revoke a bank's licence.

Korean Regulation and Supervision

The banking system in Korea is governed by the Korean Bank Act. Korean banks are subject to the regulations and supervision of the Ministry of Strategy and Finance, the Korean FSC, the Korean FSS (the executive body of the Korean FSC), and the Bank of Korea. The Ministry of Strategy and Finance focuses on economic, tax and foreign currency policies. The Bank of Korea manages monetary policies focusing on price stabilisation. The Korean FSC concentrates on financial policies, the approval process for establishing financial institutions and imposing sanctions on banks violating the Korean Bank Act and other laws and regulations. The Korean FSS is subject to the instructions and directives of the Korean FSC and carries out the supervision and examination of commercial banks. In particular, the Korean FSS sets requirements both for prudent control of liquidity and for capital adequacy and establishes reporting requirements within the authority delegated to it under the Korean FSC regulations, pursuant to which banks are required to submit annual reports on financial performance and shareholdings, regular reports on management strategy and non-performing loans, including write-offs, and management of problem companies and plans for the settlement of bad loans.

Under the Korean Bank Act, all banks must meet minimum ratios of Tier 1 and Tier 2 capital (less any capital deductions, and hereinafter the same shall apply) to risk-weighted assets, determined in accordance with Korean FSC requirements that have been formulated based on Bank of International Settlements, or BIS, standards. Specifically all domestic banks and foreign bank branches must meet a minimum ratio of Tier 1 and Tier 2 capital to risk-weighted assets of 8%. In January 2008, Basel II, a new capital standard framework which provides a range of options for determining the capital requirements for credit risk and operating risk, was implemented for domestic banks. Under Basel II, the capital requirements for credit risk can be calculated by the IRB approach or the standardised approach. All banks are required to ensure adequate liquidity by matching the maturities of their assets and liabilities in accordance with the Korean Bank Act. Banks may not invest an amount exceeding 60% of their Tier 1 and Tier 2 capital in stocks and other securities with a maturity of more than three years.

Under the Korean Bank Act, the sum of large exposures by a bank generally must not exceed five times the sum of Tier 1 and Tier 2 capital. In addition, banks generally may not extend credit in excess of 20% of the sum of Tier 1 and Tier 2 capital to a single individual or juridical person, or grant credit in excess of 25% of the sum of Tier 1 and Tier 2 capital to a single group of companies, as defined in the Monopoly Regulations and Fair Trade Act. The Korean Bank Act also provides for certain restrictions on extending credits to a major stockholder. Under these restrictions, a bank may not extend credits to its major stockholder (together with persons who have a special relationship with that stockholder) in an amount greater than the lesser of: (i) 25% of the sum of the bank's Tier 1 and Tier 2 capital; and (ii) the relevant major stockholder's shareholding ratio multiplied by the sum of the bank's Tier 1 and Tier 2 capital. In addition, the total sum of credits granted to all major stockholders must not exceed 25% of the bank's Tier 1 and Tier 2 capital.

A bank may possess real estate property to conduct its business only, and even in such a case, the aggregate value of the real estate property cannot exceed 60% of Tier 1 and Tier 2 capital. Under the Korean Bank Act, a bank may not own more than 15% of shares outstanding with voting rights of another company, with some exceptions.

Under the Korean Bank Act, a single stockholder and persons who have a special relationship with that stockholder generally may acquire no more than 10% of a nationwide bank's total issued and outstanding shares with voting rights. Acquiring voting shares of such bank in excess of 4% up to 10% requires the filing of a report with the Korean FSC.

If they are non-financial business operators, however, they must obtain the prior approval of the Korean FSC in the following situations: (a) acquiring shares of a nationwide bank in excess of 9% of that bank's outstanding voting shares; or (b) (i) acquiring such voting shares in excess of 4% and (ii) serving as the largest shareholder of the bank or participating in the management of the bank. Even with such prior approval of the Korean FSC, non-financial business operators cannot acquire more than 10% of a nationwide bank's outstanding voting shares.

Any person (whether a Korean national or a foreign investor), with the exception of non-financial business operators described above, may acquire more than 10% of a nationwide bank's total voting shares issued and outstanding by obtaining an approval from the Korean FSC. The shareholding thresholds triggering the Korean FSC approval requirement are 10%, 25% or 33% of the bank's total voting shares issued and outstanding, provided that in addition to the foregoing threshold shareholding ratios, the Korean FSC may, at its discretion, designate a separate and additional threshold shareholding ratio requiring its approval.

The National Assembly passed an amendment to the Korean Bank Act on 28 April, 2010, with respect to, among others: (i) expanding the scope of businesses that can be conducted by a bank; and (ii) refining qualification requirements applicable to outside directors of a bank. The amendment is expected to become effective after the waiting period specified therein.

A bank must register with the Ministry of Strategy and Finance to conduct foreign exchange business, which is governed by the Foreign Exchange Transaction Law. A bank must obtain the permission of the Korean FSC to enter certain areas of securities business, which is governed by the Financial Services and Capital Market Act. Under these laws, a bank may engage in foreign exchange business, securities repurchase business, government/public bond underwriting business and government bond dealing business. In addition, a bank must obtain an approval from the Korean FSC in order for it to engage in credit card business. The credit card business is governed by the Credit Specialised Financial Business Act. A bank must obtain approval from the Korean FSC to engage in trust business. The Trust Act and the Financial Services and Capital Market Act govern trust activities of banks, and they are subject to various legal and accounting procedures and requirements.

FOREIGN INVESTMENT, EXCHANGE CONTROLS AND OTHER INDIAN LAWS

UK Exchange Control Regulations

There are currently no UK laws which affect the import or export of capital, or the remittance of dividends, interest or other payments. There are no restrictions on the transfer of UK securities.

Hong Kong Foreign Investment and Exchange Control

There are currently no Hong Kong laws which restrict foreign investment (other than in relation to investments in certain telecommunications and broadcasting service providers) or impose foreign exchange control in Hong Kong. It is specified in the Basic Law of Hong Kong that no foreign exchange control policies shall be adopted.

Indian Exchange Control Regulations

Pursuant to the terms of the RBI Circular, prior approval of the sectoral regulator(s) is required for raising funds through issuance of IDRs by financial/banking companies having a presence in India, either through a branch or subsidiary. The RBI approved the Issue on 7 October 2009.

Pursuant to a letter dated 14 January 2010, terms of the approval letter dated 7 October 2009 were partially modified and clarified by the RBI. Further, the RBI on 22 March 2010 permitted the issue of IDRs not exceeding 5% of the total Shares of the Company. This approval is valid for a period of three months.

Remittance of proceeds from the Issue

Pursuant to the terms of the RBI Circular issued under FEMA, the proceeds of the issue of IDRs are required to be repatriated outside India.

Investment in IDRs

Pursuant to the terms of the RBI Circular, FIIs including SEBI approved sub-accounts of the FIIs, registered with SEBI and NRIs may invest, purchase, hold and transfer IDRs, subject to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. Further, NRIs are allowed to invest in the IDRs out of funds held in their NRE/FCNR(B) account, maintained with an authorised dealer/authorised bank.

Only Eligible NRIs can participate in the Issue.

No single individual or single entity or group of entities in India, other than QIBs, shall hold, directly or indirectly, IDRs exceeding 5% of the Issue. No single QIB or a group of QIBs shall hold IDRs exceeding 15% of the Issue.

In accordance with the regulations of the RBI, no bank in India shall: (i) grant a loan to any investor for the purpose of subscribing for any IDRs; or (ii) grant a loan to any person which is secured against any IDRs.

Ability to withdraw Shares from the IDR Facility and to deposit further shares into the IDR Facility

Pursuant to the terms of the RBI Circular, IDRs are not redeemable into underlying equity shares before the expiry of a one-year period from the date of issue of the IDRs. The SEBI Regulations and the RBI Circular state that automatic fungibility of IDRs is not permitted. Therefore, fungibility of IDRs into the underlying Shares would be permitted only after the expiry of the one year period from the date of issue of the IDRs and subsequent to obtaining RBI approval on a case-by-case basis. Further, two-way fungibility (the ability to purchase existing Shares on the London Stock Exchange and/or the Hong Kong Stock Exchange and deposit them into the IDR programme) is not currently permitted. Additionally, in terms of the RBI Circular, at the time of redemption/conversion of IDRs into underlying shares, the Indian holders (persons resident in India) of IDRs are required to comply with the provisions of the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004.

The ability of Indian residents to hold underlying Shares is limited. Pursuant to the terms of the RBI Circular, persons resident in India (excluding listed Indian companies and Mutual Funds) are allowed to hold the underlying Shares only for the purpose of sale. The IDR Holders are required to sell the underlying Shares within a period of 30 days from the date of conversion of the IDRs into underlying Shares.

The FEMA provisions are not applicable to the holding of the underlying Shares, on redemption of IDRs by the FIIs including SEBI approved sub-accounts of the FIIs and NRIs.

Under the existing guidelines, an individual resident in India is permitted to remit only up to US$200,000 per financial year to undertake any capital account/current account transactions including investment in foreign securities. Furthermore, a company incorporated in India can invest only up to 50% of its net worth by way of overseas portfolio investments per financial year.

Possible restrictions on the ability of the Company to distribute further shares in India

Under the Indian Companies Act, a company incorporated outside India cannot issue, circulate or distribute any offer of securities to more than 50 persons (other than professional investors) resident in India without registering a prospectus with the RoC. Such a prospectus is required to contain the information specified in the Indian Companies Act and the SEBI Regulations. The exact law applicable to and the process to be followed for the registration of such a prospectus is not clear at present.

Certain restrictions on the ability of the Company to undertake a rights offering simultaneously in the UK and in India

There are significant differences in the timeline for rights issues in India and the UK. Whilst the time period between the date of announcement and the date of allotment is 10 Business Days in a rights issue in UK, the existing guidelines on rights issues in India require that the rights issue should be kept open for subscription between 15-30 days. After the closing of the subscription, the company is required to allot the shares to investors within a period of 15 days.

GOVERNMENT APPROVALS

Legal Regime

The issue of IDRs by a company incorporated outside India is primarily regulated by the IDR Rules, IDR Listing Agreement, Chapter X and other applicable provisions of the SEBI Regulations and such other rules and regulations which permit companies incorporated outside India to issue IDRs in accordance with the procedure laid down thereunder without obtaining any regulatory approvals.

Approvals for the Issue

Except for approval from SEBI for the Issue, RBI approval to undertake the Issue, listing and trading approvals from the Stock Exchanges and approvals required under the current exchange control regulations, there are no other Indian regulatory approvals required in relation to the Issue. For more details, see the sections titled "*Issue Procedure – Filing*" on page 386 of this Red Herring Prospectus, "*Issue Procedure – Listing*" on page 386 of this Red Herring Prospectus and "*Foreign Investment, Exchange Controls and other Indian Laws – Indian Exchange Control Regulations*" on page 428 of this Red Herring Prospectus.

Regulatory filings

See the section "*Issue Procedure – Filing*" on page 386 of this Red Herring Prospectus.

Approvals from UK authorities

Application will be made to the FSA, as the UK Listing Authority, for the Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Shares to be admitted to trading on the main market of the London Stock Exchange, a regulated market for the purposes of MiFID once the number of IDRs to be Allotted is determined and such Shares will be admitted to the premium segment of the Official List and to the London Stock Exchange on or prior to the listing of the IDRs on the Stock Exchanges.

Approvals from Hong Kong authorities

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange once the number of IDRs to be Allotted is determined and such Shares will be listed on the Hong Kong Stock Exchange on or prior to the listing of IDRs on the Stock Exchanges.

COMPARISON OF RIGHTS OF SHAREHOLDERS

The Company is incorporated under the laws of England and Wales. The following section summarises certain material differences between the rights of holders of the Shares and rights of holders of equity shares of a typical company incorporated under Indian law which result from differences in governing documents, the laws of England and Wales and of India and the applicable securities laws and regulations. As a holder of IDRs, your rights differ in certain respects from those of holders of equity shares in India.

This summary does not purport to be a complete statement of the rights of the Company's shareholders under applicable law in the UK and the Articles or the rights of holders of equity shares of a typical company incorporated under Indian law.

Indian Law	English Law
Annual and General Meetings of Shareholders	
While the shareholders of a company do not have any right to call for an annual general meeting, shareholders holding one-tenth of the voting share capital of the company have a right to request an extraordinary general meeting. However, in the event the company fails to hold an annual general meeting within 15 months from the date of its last annual general meeting, the government of India may order a meeting to be held upon the application of any shareholder.	The provisions of the UK Companies Act require annual general meetings to be held within six months of the end of each financial year. Under the UK Companies Act, general meetings may be convened at any time by the Directors at their discretion or by the Directors at the request of the Company's shareholders holding in aggregate not less than 5% of the Company's paid-up capital. A request by shareholders to convene a general meeting must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Shareholders holding in the aggregate not less than 5% also have the right to require the Company to include matters other than resolutions to be passed in the business of the annual general meeting. Notice of an annual general meeting must be provided to shareholders at least 21 days prior to the date of the proposed meeting. Notice of a general meeting must be provided to shareholders at least 21 days prior to the date of the proposed meeting unless two conditions are met. The first is that a special resolution is passed at the immediately preceding annual general meeting, or at another general meeting held since the annual general meeting. The second is that the Company makes provision for all shareholders, who have the right to vote, to vote via electronic means. If both these conditions are satisfied notice may be provided 14 days prior to the date of the proposed meeting. Any notice shall be exclusive of the day on which it is served, or deemed to be served, and the day on which the meeting is held. Certain information must also be displayed on the Company's website before and after the meeting.

Quorum Requirements for Meetings of Shareholders

Indian law allows the articles of association of a company to specify the number of members who shall constitute a quorum; however in no event shall such number be less than five members present in person for a meeting for a public company.

The Articles specify that five members present in person or by proxy and entitled to vote constitute the quorum required to conduct business at a general meeting. At any adjourned meeting one member present in person or by proxy and entitled to vote (whatever the number of shares held by him) will constitute a quorum.

Board of Directors

Under Indian law, every public company is required to have a minimum of three directors. The number of directors may be increased or reduced by ordinary resolution within the limits as fixed by its articles of association.

The appointment and removal of directors requires approval of shareholders. However, with respect to additional directors, a company's articles of association can empower the board of directors to appoint the additional directors.

The Articles provide that unless otherwise determined by ordinary resolution of the Company, the number of Directors (disregarding alternate directors) shall be neither less than five nor more than 30.

Under English law, a director has a fiduciary duty to act in a company's best interests. The UK Companies Act provides that directors owe the following duties:

- to act and exercise his or her powers in accordance with the company's constitution and for proper purposes;
- to promote the success of the company;
- to exercise independent judgement;
- to use reasonable care, skill and diligence;
- to avoid conflicts of interest;
- not to accept benefits from third parties; and
- to declare interests in proposed transactions and arrangements.

The UK Companies Act contains certain restrictions on a company's power to make loans and confer other benefits to directors and persons connected with them.

Removal of Directors

Under Indian law, a director of a company, other than a director appointed by the government of India, may be removed by ordinary resolution, provided that special notice of the resolution is sent in accordance with the provisions of the Indian Companies Act.

Under the UK Companies Act, shareholders may remove a director without cause by ordinary resolution, irrespective of any provision of the company's articles of association or service contract the director has with the company, provided, however, that at least 28 days' notice is given to the company.

Additionally, the Articles allow shareholders to remove any Director before the expiry of his term of office by special resolution.

Filling Vacancies on the Board of Directors

A vacancy created by the removal of a director may be filled by appointing another director provided that special notice given for removal of the director also provides for appointment of another director. However, if special notice is not given for such appointment, the board of directors has the power to fill a vacancy on the

Shareholders may by ordinary resolution appoint a person who is willing to act to be a director to fill a vacancy or to become an additional director, subject to the maximum number of directors provided in the company's articles of association.

board. Any director so appointed shall hold office only so long as the vacating director would have held such office if no vacancy had occurred.

Subject to the maximum of 30 Directors contained in the Articles, the Board may also appoint any person who is willing to act to be a Director either to fill a vacancy or as an addition to the existing Board. Any Director appointed by the Board must retire at the next annual general meeting of the Company and will be eligible for re-appointment by the Company.

Under the Articles, at the meeting at which a Director retires the Company can pass an ordinary resolution to re-appoint the Director or to appoint some other eligible person in his place.

The Articles provide that at every annual general meeting a minimum of one-third of the Directors must retire. These retiring Directors may be re-appointed by the meeting.

Interested Directors' Transactions

Under Indian law, a director who is interested in contracts or arrangements is required to obtain the consent of the board of directors to enter into such contracts or arrangements. However, in the case of a company having a paid-up share capital of not less than Rs. 10 million, prior approval of the government of India will be required. Furthermore, the interested director is required to disclose the nature of interest or concern at a meeting of the board of directors. Such interested director is not allowed to participate in the discussion of, or vote on, such contracts or arrangements and if he does vote, such vote shall be void. The presence of such interested director is not counted for the purposes of the quorum. Further contravention of the relevant provisions is punishable with a fine.

The Articles allow a Director to be a party to, or otherwise interested in, a contract with the Company provided he has declared the nature and extent of that interest to the Directors in accordance with the UK Companies Act. Subject to limited exceptions, the interested Director must not vote or be counted in the quorum in relation to any resolution of the Board in respect of any contract in which he or his associates has an interest which is to his knowledge a material interest. If an interested Director does vote, his vote will not be counted.

Under the Articles, the Board may authorise any matter which would otherwise involve a Director breaching his duty under the UK Companies Act to avoid conflicts of interest. The relevant Director and any other Director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority and may, if the other members of the Board so decide, be excluded from any Board meeting while the conflict is under consideration.

Voting

At any general meeting, voting is by a show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10% of the total shares entitled to vote on the resolution or on which an aggregate sum of not less than Rs. 50,000 is paid up. Upon a show of hands, each shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid-up capital held by such shareholder. Ordinary resolutions are adopted at general meetings of shareholders by a simple majority of the shareholders having

Under English law, unless the articles of association provide otherwise, a shareholder entitled to vote at a shareholders' meeting is entitled to one vote on a show of hands regardless of the number of shares he or she holds. Voting occurs by a show of hands unless a poll is demanded by: (1) the chairman of the meeting; (2) any group of five ordinary shareholders or their proxies (three in the Company's case); (3) any shareholder or his or her proxy representing at least 10% of the total voting rights; or (4) a shareholder or shareholders present in person or by proxy holding shares conferring a right to vote at the voting rights present in person or by proxy. However, certain resolutions, such as commencement of a new line of business, amendment of its memorandum and articles of association, waiver of pre-emptive rights, issue of further shares to persons other than existing shareholders and reduction of share capital, require that votes cast in favour of the resolution, whether by a show of hands or poll, are not less than three times the number of votes, if any, cast against the resolution by members so entitled and voting. Under the provisions of section 42 of the Indian Companies Act, subsidiaries are not permitted to be members of the holding company. Even if any subsidiary holds shares in its holding company prior to its becoming a subsidiary, the shares held by the subsidiary will not have any voting rights. Any shareholder may appoint a proxy. The instrument appointing a proxy must be delivered to the Company at its registered office at least 48 hours prior to the meeting. A proxy may not vote except on a poll. A corporate shareholder is also entitled to appoint an authorised representative to attend and vote (both upon a show of hands and upon a poll) on its behalf at general meetings.

The Indian Companies Act permits a company to issue shares with differential rights as to dividend, voting or otherwise subject to certain conditions. For a company to issue shares with differential voting rights it should have distributable profits (as specified under the Indian Companies Act) for a period of three financial years, it should not have defaulted in filing annual accounts and annual returns for the immediately preceding three years, and the articles of association of the company should permit the issuance of such shares with differential voting rights.

meeting (being shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all shares conferring that right). On a poll, a shareholder of the Company has one vote for every US$2 nominal value of share capital which he holds. On a poll, a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

Under English law, ordinary resolutions may be decided on a show of hands and must be approved by at least a majority of the shareholders present in person or by proxy. If a poll is demanded, the resolution conducted on a poll must be approved by holders of at least a majority of the votes cast at the meeting whether in person or by proxy. Special resolutions require the affirmative vote of at least 75% of the votes cast at the meeting whether in person or by proxy.

Under the Uncertificated Securities Regulations 2001 the record date for a shareholders' meeting may not be more than 48 hours prior to the time fixed for such a meeting excluding non-working days.

Shareholder Action without a Meeting

There is no concept of a written resolution under Indian law.

Under English law, a public company cannot pass a written shareholder resolution.

Business Combinations

Under Indian law, a compromise or arrangement between a company, its creditors or any class of them or between a company, its members or any class of them is required to be sanctioned by a tribunal and approved by a majority in number representing three-quarters in value of the creditors or class of creditors or members, or class of members, as the case may be.

Under English law, a compromise or arrangement between a company, its creditors or any class of them or between the company, its members or any class of them is required to be sanctioned by the courts and approved by a majority in number representing three-quarters in value of the creditors or class of creditors, or members or class of members, as the case may be.

Limitations on Personal Liability of Directors

Generally, Indian law provides that directors are not personally liable in respect of contracts of the company. However, where a director acts without the approval or ratification of the company, such director may be personally liable. Directors are also personally liable for breach of trust or misfeasance, both civilly and, in some cases, criminally. The Indian Companies Act contains certain provisions making directors personally liable to discharge certain monetary obligations in their capacity as directors, such as the non-refund of share application monies or excess application monies within the time limit stipulated by the Indian Companies Act. Similarly, the Indian Companies Act provides for civil liability of directors for misstatements in a prospectus issued by the company that has been signed by the directors, including the obligation to pay compensation to any persons subscribing to the shares of the company on the faith of the statements made in the prospectus.

Under the UK Companies Act, the Company may ratify, by ordinary resolution, a Director's conduct amounting to negligence, default, breach of duty or breach of trust in relation to the Company. However, the votes of the Director concerned or any connected person will not be counted. A fellow Director could be a connected person for these purposes. See also the paragraph headed "*Indemnification of Directors and Officers*" below.

Indemnification of Directors and Officers

Under Indian law, any provision under the articles of association of a company or in an agreement with a company or in any other instrument, exempting any officer of the company or any person employed by the company as auditor from, or indemnifying him against, any liability which, by virtue of any rule of law, would otherwise attach to him in respect of any negligence, default, misfeasance, breach of duty or breach of trust of which he may be guilty in relation to the company, shall be void. However, a company may indemnify any such officer or auditor against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or discharged or in which relief is granted to him by the courts.

Under the UK Companies Act, any provision that purports to exempt a Director of the Company from any liability that would otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company is void.

However, the general prohibition is subject to a relaxation which allows the Company to provide a qualifying third party indemnity provision, that is, the Company is permitted to:

- indemnify its Directors and a director of an associated company in respect of proceedings brought by third parties (covering both legal costs and the financial costs of any adverse judgment, except for the legal costs of unsuccessful defence of criminal proceedings, fines imposed in criminal proceedings, penalties imposed by regulatory bodies and unsuccessful application for relief from liability under the provisions for relief in the UK Companies Act); and
- pay Directors' defence costs as they are incurred, even if the action is brought by the Company itself. The Director would still be liable to pay any damages awarded to the Company and to repay his defence costs to the Company if his defence were unsuccessful (other than where the Company chooses to indemnify him in respect of legal costs incurred in civil third party proceedings).

The UK Companies Act also allows the Company to purchase and maintain for a Director of the Company, or a director of an associated company, insurance against any liability that would otherwise attach to the Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company. The Company should maintain an insurance policy if it is to comply with the UK corporate governance guidance (or explain the reason for non-compliance in its annual report).

The Company's Articles provide that, to the extent permitted by the UK Companies Act, the Company may indemnify any Director of the Company or any director of any associated company against any liability and may purchase and maintain for any Director of the Company, or any director of any associated company, insurance against any liability.

Shareholders' Suits

Under the Indian Companies Act, shareholders holding not less than one-tenth of the issued share capital of the company or not less than 100 members of the company or not less than one-tenth of the total number of its members, whichever is less, provided that the applicant or applicants have paid all calls and other sums due on their shares, may apply to the National Company Law Tribunal for relief in cases of oppression and mismanagement, particularly if; (a) the company's affairs are being conducted in a manner prejudicial to public interest or in a manner oppressive to any member or members; (b) a material change has taken place in the management or control of the company; and (c) the winding-up of the company would unfairly prejudice such member or members, but that otherwise a winding-up order would be made on the ground that it was just and equitable that the company should be wound up.

Under English law, a member may bring a derivative claim on behalf of the Company in respect of a cause of action arising from an actual or proposed act or omission involving negligence, default, breach of duty or breach of trust by a Director. There is no requirement for the Director to have benefited personally from the breach in order for a derivative action to be brought. A derivative claim may be brought against the Directors of the Company and/or, in limited circumstances, third parties. It is immaterial whether the cause of action arose before or after the person seeking to bring or continue the derivative claim became a member of the Company.

The member must establish a *prima facie* case for permission of the court to continue a derivative claim. The court must take into account various statutory requirements in determining whether a *prima facie* case has been established. If the court is satisfied as to either of the following then it must refuse permission to continue the derivative claim:

- that a person acting in accordance with the general duty to promote the success of the Company would not seek to continue the claim; or
- the act or omission giving rise to the cause of action has been authorised or ratified by the Company.

Inspection of Books and Records

Under Indian law, it is required that the minutes of the proceedings of any general meeting shall be kept open during business hours for

Except when closed under the provisions of the UK Companies Act, the register and index of names of shareholders of an English company inspection by any member without charge. In the event of refusal, the company, and every officer of the company who is in default, shall be ordered to pay a fine. Further, the company is obliged to keep the books of account and other books and papers open for inspection during business hours.

A copy of every balance sheet (including the profit and loss account, the auditor's report and every other document required by law to be annexed or attached, as the case may be, to the balance sheet) which is to be laid before a company in a general meeting should be provided to each member of the company not less than 21 days before the date of the meeting. The auditor's report shall be read before the company in a general meeting and shall be open for inspection by any member of the company. All contracts entered into by a company for the appointment of a manager, managing director, managing agent or secretaries and treasurers, shall be open for inspection by any member of the company at such office. The register of directors shall be open for inspection by any member of the company without charge and to any other person on payment of one Rs. for each document inspected during business hours subject to such reasonable restrictions as the company may by its articles of association or in general meeting impose, so long as not less than two hours in each day are allowed for inspection. In the event of refusal, the company, and every officer of the company who is in default, shall be ordered to pay a fine. The register of directors' shareholdings will be open for inspection during business hours during the period beginning 14 days before the date of the company's annual general meeting and ending three days after the date of its conclusion, and it shall be open for inspection by any member. In the event of default, the company and every officer will be ordered to pay a fine.

The copies of instruments creating charges kept in pursuance of section 136 of the Indian Companies Act, and the register of charges kept in pursuance of section 143 of the Indian Companies Act, shall be open during business hours (but subject to such reasonable restrictions as the company in general meeting may impose, so long as not less than two hours in each day are allowed for inspection) for inspection of any creditor or member of the company without fee, at the registered office of the company. If inspection of the said copies or register is refused, the company, and every officer of the company who is in default, shall be ordered to pay a fine. The register of members commencing may be inspected:

- without payment by its shareholders; or
- for a fee by any other person.

In both cases, the documents may be copied for a fee.

The shareholders of an English public company may also inspect, without charge:

- minutes of meetings of the shareholders (and obtain copies of the minutes for a fee); and
- service contracts of the company's directors, if the contracts have more than 12 months to run or require more than 12 months' notice to terminate.

In addition, public companies are required to provide copies of their annual accounts to shareholders and make available such accounts to shareholders at a general meeting.

The Companies (Company Records) Regulations 2008, which came into effect on 1 October 2009, provide that a public company shall make its company records available for inspection by a person for at least two hours between 9.00 a.m. and 5.00 p.m. on each working day.

from the date of registration of the company, the index of members, the register and index of debenture holders, and copies of all annual returns under the Indian Companies Act must be open during business hours for the inspection of any member. If inspection of the said copies or register is refused, the company, and every officer of the company who is in default, shall be ordered to pay a fine.

Amendment of Governing Documents

Under Indian law, the provisions of the governing documents, i.e. provisions of the memorandum of association and articles of association, of a company may be altered, subject to additional approval from the government of India, in certain circumstances, by a special resolution.

Under the UK Companies Act, shareholders have the power to amend any provisions of the company's articles of association, by special resolution.

Under English law, the board of directors is not authorised to change the articles of association.

From 1 October 2009, a company's memorandum of association ceased to be part of its constitution and merely contains limited information regarding the founders of the company. The objects clause contained in the memorandum of association automatically became part of the articles of association and may be deleted or amended by special resolution. The Company's objects clause was deleted at its annual general meeting on 7 May 2010.

Distributions and Dividends; Repurchases and Redemptions

Under Indian law, a dividend can be declared by a company for any financial year out of the profits of the company for that year arrived at after providing for depreciation, or out of the profits of the company for any previous financial year or years arrived at after providing for depreciation and remaining undistributed, or out of both. There are certain other requirements to be met to determine distributable profits. A company may only pay a dividend in an amount in excess of 10% of its paid-up capital out of profits of that year after it has transferred to the reserves of the company a percentage of its profits for that year ranging between 2.5% to 10% depending on the rate of dividend proposed to be declared in that year. If the profits for that year are insufficient, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10% of paid-up capital; (ii) the total amount to be drawn from the accumulated profits from previous years and transferred to reserves may not exceed an amount equivalent to one-tenth of the paid-up

Subject to the prior rights of holders of preferred shares, an English company may pay dividends on its shares only out of its distributable profits, defined as accumulated realised profits less accumulated realised losses, and not out of share capital. Share capital includes the share premium account, which is an amount equal to the excess of the aggregate consideration received by a company for the issue of its shares over the aggregate nominal amount of such shares. Amounts credited to the share premium account, however, may be used to pay up unissued shares which may then be distributed to shareholders in proportion to their holdings.

In addition, under English law, a company is not permitted to make a distribution if, at the time, the amount of its net assets is less than the aggregate of its issued and paid-up share capital and undistributable reserves.

Under English law, a public company may issue redeemable shares if authorised by its articles of association, which the Company is, subject to any conditions stated therein. The terms of the redemption must either be set out in the articles of association or, if authorised by the articles of association or an ordinary resolution, the capital and free reserves and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference or equity shares are paid; and (iii) the balance of reserves after withdrawals must not be below 15% of paid-up capital. Shareholders have a right to claim a dividend, after such dividend has been declared by the company at a general meeting. Shareholders also have a right to claim the interim dividends, which may be declared pursuant to a resolution of the company's board of directors. Dividends may be paid in cash only. Where a dividend has been declared by a company but has not been paid within 30 days from the date of declaration to any shareholder entitled to the payment of such dividend, a penalty can be imposed on a director who is knowingly a party to such default.

Under Indian law, no company can buy back its shares unless the buy-back is approved by special resolution of the shareholders in general meeting and is authorised by the articles of association of the company. However, in the event that the buy-back is for less than 10% of the total paid-up share capital of the company, a resolution of the board of directors of the company shall suffice. Further, a company is required to fulfil the following requirements:

- the buy-back should be out of the free reserves or securities premium account of the company or out of the proceeds of any issue of securities (other than equity shares) of the company;
- the buy-back should be no greater than 25% of the total paid-up share capital of the company in that financial year;
- the ratio of the debt owed by the company should not be more than twice the capital and its free reserves after the buy-back;
- all the shares of the company being bought back are fully paid up;
- the buy-back has to be completed within 12 months from the date of passing of the special resolution or the resolution of the board; and
- no buy-back can be made within a period of 365 days from a previous buy-back.

directors can determine such terms.

A company may purchase its own shares, if the purchase is not restricted by its articles of association, which in the Company's case it is not, and:

- in the case of a market purchase, authority to make the market purchase has been given by any ordinary resolution of its shareholders (although normal practice is to seek approval by way of special resolution); or
- in the case of an off-market purchase, has been approved by a special resolution. Companies can enter into an off-market purchase contract before obtaining a special resolution provided that no shares may be purchased until a special resolution authorising the contract has been passed.

A company may redeem or repurchase shares only if the shares are fully paid up and, in the case of public companies, only out of:

- distributable profits; or
- the proceeds of a new issue of shares, made for the purpose of the repurchase or redemption of these shares for cancellation.

The UK Listing Rules require that where a company has issued shares which are listed on the Official List and are convertible into a class of shares to be repurchased, the holders of the convertible shares must first pass a special resolution approving any repurchase at a separate class meeting.

The UK Listing Rules also require that purchases within a 12-month period of 15% or more of a company's share capital must be made through either a tender or partial offer to all shareholders, at a stated maximum or fixed price.

Purchases within a 12-month period below the 15% threshold may be made through:

- the market, provided that the price is not more than the higher of (i) 5% above the average of the market values of those shares for the five Business Days before the purchase is made, and (ii) the price stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation; or
- an off-market transaction negotiated with one or more shareholders subject to prior approval of the transaction by special resolution.

COMPARISON OF CORPORATE GOVERNANCE

As a company incorporated in England and Wales with ordinary shares listed on the London Stock Exchange and Hong Kong Stock Exchange, the Company is required to comply with the UK and Hong Kong corporate governance regimes or, in the case of non-compliance, explain the reasons therefor.

The Indian corporate governance practices set out in the table below are typically imposed on Indian-listed entities under an equity listing agreement between the listed entity and the Indian Stock Exchanges. However, under the IDR Listing Agreement, the Company is required only to comply with the applicable UK and Hong Kong practices.

As required by the IDR Listing Agreement, the following table summarises certain material differences in the corporate governance requirements usually applicable to an Indian-listed entity under its equity listing agreement with the Indian Stock Exchanges and the corporate governance requirements which the Company will comply with as a UK and Hong Kong listed company.

Indian Practice	**UK and HK Practice**
Corporate Governance Code	
Mandatory corporate governance requirements and certain non-mandatory requirements are usually set out in a listing agreement between the listed entity and the Indian Stock Exchanges.	The Combined Code complements and supplements the UK Listing Rules by providing "best practice" guidelines. Although compliance with the Combined Code is not strictly mandatory, the Company is required to include in its annual report and accounts a statement as to whether or not it has complied with the provisions of the Combined Code and, if it has not complied, state the provisions it has not complied with, the period of non-compliance in the case of provisions of a continuing nature and the reasons for non-compliance. Following the Walker Review, which published its final recommendations for corporate governance practices in certain banks and financial institutions on 26 November 2009, the FRC launched a consultation on proposed changes to the Combined Code. The FRC consultation proposes that the amended Combined Code, to be re-named "The UK Corporate Governance Code", will adopt certain of the Walker Review recommendations to the extent that they are appropriate for all listed companies and will apply in respect of financial years beginning on or after 29 June 2010. The FSA has also launched a consultation to review its governance regime for regulated firms in light of the Walker Review recommendations. The regime in Hong Kong is similar to the UK. The HK Code on Corporate Governance Practices provides "best practice" guidelines but is not mandatory. However, any deviation from the code provisions is required to be stated in the interim and the annual report of the Company.
Board Composition	
The board of directors of a company shall have an optimum combination of executive and non-	The board of directors should include a balance of executive and non-executive directors (and in

executive directors with not less than 50% of the board of directors comprising non-executive directors.

particular independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking. In the UK, at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent.

In Hong Kong, it is required that the board of directors must include at least three independent non-executive directors and it is recommended that independent non-executive directors should represent at least one-third of the board.

There should be a clear division of responsibilities between the management of the board and day to day management of the company's business. No one individual should have unfettered powers of decision. In Hong Kong, such division of responsibilities should be clearly set out in writing.

Under the Combined Code, the chief executive should not go on to be chairman of the same company. If, exceptionally, the board of directors decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.

Board Meetings

The board is required to meet at least four times a year, with a maximum time gap of four months between any two meetings. The board must be provided with various information including, if material, non-compliance with any regulatory, statutory or listing requirements and Shareholders services such as non-payment of dividend, delay in share transfer etc.

Under UK practice, the board should meet sufficiently often to discharge its duties effectively. In Hong Kong, the board should meet at least four times a year at approximately quarterly intervals.

In the UK, the chairman should hold meetings with the non-executive directors without the executives present. Led by the senior independent director, the non-executive directors should meet without the chairman present at least once a year to appraise the chairman's performance. Similarly, under the HK Code of Corporate Governance Practices the chairman should at least annually hold meetings with the non-executive directors without the executive directors present, although there is not the concept of a "senior independent director".

In the UK, directors should record any unresolved concerns about the running of the company or a proposed action in the board minutes and on resignation a non-executive director should provide a written statement of any such concerns they have to be circulated to the board. There is no such requirement or recommendation in Hong Kong.

Director Independence

Where the chairman of the board is a non-executive director, at least one-third of the board should comprise of independent directors and if he is an executive director, at least half of the board should comprise of independent directors.

Provided that where the non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors.

"Independent director", as defined under the equity listing agreement, means a non-executive director of the company who; (a) apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect the independence of the director; (b) is not related to the promoters or persons occupying management positions at the board level or at one level below the board; (c) has not been an executive of the company in the immediately preceding three financial years; (d) is not a partner or an executive or was not a partner or an executive during the preceding three years of any statutory audit firm or the internal audit firm that is associated with the company or legal firm(s) and consulting firm(s) that have a material association with the company; (e) is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect the independence of the director; (f) is not a substantial shareholder of the company, i.e. owning 2% or more of the block of voting shares; and (g) is not less than 21 years of age.

Independent directors may have a tenure on the board of directors of the company not exceeding, in aggregate, a period of nine years.

In the UK, the board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. Serving more than nine years and his holding of share options could be relevant to the determination of a non-executive director's independence. There are similar rules in Hong Kong, although holding of share options is not expressly stated to be a relevant factor.

In the UK, the chairman should on appointment meet the independence criteria, but thereafter the test of independence is not appropriate in relation to the chairman. In addition, the board should appoint one of the independent non-executive directors to be the senior independent director. Such person should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or finance director has failed to resolve or for which such contact is inappropriate. There are no such requirements or recommendations in Hong Kong.

The Walker Review recommends that the time commitment of non-executive directors of certain banks and other financial institutions should be greater than has been normal in the past with a minimum expected time commitment of 30-36 days per annum to be clearly indicated in letters of appointment for a major bank board with several non-executive directors. Dedicated support should be provided to non-executive directors where required. The FSA is proposing to clarify its guidance on approved persons to emphasise the ability of the person to meet the time commitment specified by the firm in its contractual terms of appointment for the role.

The Walker Review further recommends that the chairman of certain banks and other financial institutions should be proposed for election on an annual basis with the board keeping under review the possibility of moving to annual elections of all board members. The FRC is proposing that the Combined Code is amended such that either the chairman or the entire board must put themselves up for re-election on an annual basis.

Audit Committee

The audit committee shall have a minimum of three directors as members. Two-thirds of the members of the audit committee shall be

In the UK, the board should establish an audit committee of at least three members who should all be independent non-executive directors. The independent directors. All members of the audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The chairman of the audit committee shall be an independent director and is required to be present at the annual general meeting to answer shareholder queries. The company secretary shall act as the secretary to the committee.

The audit committee should meet at least four times a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one-third of the members of the audit committee, whichever is greater, but there should be a minimum of two independent members present.

The audit committee has powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice, and secure attendance of outsiders with relevant expertise, if it considers this necessary.

The audit committee is required to approve appointments of CEO after assessing the qualifications, experience and background, etc. of the candidate.

The CEO, i.e. the managing director or manager, and the CFO, i.e. the whole-time finance director or any other person heading the finance function, are required to review the financial statements and the cash flow statement for the year and certify to the board that, to the best of their knowledge and belief, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading, and present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations. They are also required to certify that, to the best of their knowledge and belief, the company has not entered into transactions which are fraudulent, illegal or in violation of the company's code of conduct.

They hold the responsibility for establishing and maintaining internal controls for financial reporting and evaluating the effectiveness of internal control systems of the company pertaining to financial reporting. They are also responsible for disclosing deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies to the auditors and the audit board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.

The HK Listing Rules require that an audit committee must comprise non-executive directors only, with a minimum of three members. At least one of the members must be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

In Hong Kong, the majority of the audit committee members must be independent non-executive directors, one of whom must chair the audit committee.

In the UK the main role and responsibilities of the audit committee should be set out in written terms of reference and should include:

- to monitor the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems;
- to monitor and review the effectiveness of the company's internal audit function;
- to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- to report to the board, identifying any matters in respect of which it considers that

committee. They have to certify that they have indicated to the auditors and the audit committee:

- significant changes in internal controls over financial reporting during the year;
- significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

action or improvement is needed and making recommendations as to the steps to be taken.

There are similar provisions in Hong Kong.

In the UK, the audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. There are no equivalent rules or recommendations in Hong Kong.

In both the UK and Hong Kong, the audit committee should monitor and review the effectiveness of the internal audit activities.

Certain requirements contained in the Disclosure and Transparency Rules overlap with the above requirements. These apply to accounting periods commencing on or after 29 June 2008 and require the company to have a body responsible for carrying out audit functions, and for the company to issue a statement identifying the body which carries out the audit functions and describes how that body is composed. There are no equivalent rules in Hong Kong.

The Walker Review recommends that certain banks and other financial insitutions should establish a board risk committee separately from the audit committee with responsibility for oversight and advice to the board on the current risk exposures of the firm and future risk strategy, including strategy for capital and liquidity management. The board should also be served by a chief risk officer reporting to the board risk committee. The FSA is proposing to amend its high levels systems and controls guidance in order to implement these recommendations for regulated firms.

Remuneration Committee

The board may set up a remuneration/ compensation committee to determine the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment on their behalf and on behalf of the shareholders. This committee should comprise of at least three directors, all of whom should be non-executive directors and the chairman of the committee should be an independent director.

In the UK, the board should establish a remuneration committee of at least three independent non-executive directors. The chairman of the company may be a member of, but not chair, the committee if he was considered independent on appointment as chairman.

The HK Code of Corporate Governance Practices recommends that a majority of the members of the committee should be independent non-executive directors.

In the UK and Hong Kong, the remuneration committee should have delegated responsibility for setting remuneration for all executive directors and the senior management, including pension rights and any compensation payments.

The HK Code of Corporate Governance Practices recommends that where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.

The board itself or, where required by the articles of association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the articles of association. The articles provide that the directors shall be paid a fee at such rate as may from time to time be determined by the board provided that the aggregate of all fees so paid to directors (excluding amounts payable under any other provision of the articles) does not exceed £1,500,000 p.a. or such higher amount as may from time to time be decided by ordinary resolution of the company.

The Walker Review recommended extending the oversight of the remuneration committee for certain banks and other financial institutions to all "high end" employees. The FSA is proposing to review its Remuneration Code in order to implement this recommendation.

Shareholders/Investors Grievance Committee

A board committee under the chairmanship of a non-executive director shall be formed to specifically look into the redressal of shareholder and investor complaints such as the transfer of shares, non-receipt of balance sheet and non-receipt of declared dividends. This committee shall be designated as the "Shareholders/Investors Grievance Committee".

The Combined Code recommends that the board appoints one of the independent non-executive directors to be the senior independent director and that such person should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or finance director has failed to resolve or for which such contact is inappropriate.

The HK Code of Corporate Governance Practices recommends that the chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that the views of shareholders are communicated to the board as a whole.

Compensation Plans

All fees/compensation paid to non-executive directors, including independent directors, shall be fixed by the board of directors with the prior approval of the shareholders in general meeting. The shareholders' resolution shall specify the limits for the maximum number of stock options that can be granted to non-executive directors, including independent directors, in any financial year and in aggregate.

Notwithstanding the foregoing, the requirement of obtaining prior approval of shareholders in

Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Shareholders should be invited specifically to approve all new long-term incentive schemes and significant changes to existing schemes, save in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Indian Companies Act for payment of sitting fees without approval of the Central Government.

The company is required to disclose all pecuniary relationships or transactions of the non-executive directors vis-à-vis the company in the annual report. Further, the section on corporate governance in the annual report should specifically mention all elements of the remuneration package of individual directors summarised under major groups, such as salaries, benefits, bonuses, stock options, pensions etc., details of fixed component and performance-linked incentives, along with the performance criteria, service contracts, notice period, severance fees and stock option details, if any, whether issued at a discount, as well as the period over which accrued and over which exercisable. The company is also required to publish its criteria of making payments to non-executive directors in its annual report. Alternatively, the same may be put up on the company's website and reference thereto may be drawn in the annual report. The annual report should also disclose the number of shares and convertible instruments held by non-executive directors.

Additionally, non-executive directors are required to disclose in the notice to the general meeting called for appointment of such director their shareholding (both owned or held by/for other persons on a beneficial basis) in the listed company in which they are proposed to be appointed as director, prior to their appointment.

the circumstances permitted by the UK Listing Rules. The HK Listing Rules provide that shareholders' approval at a general meeting is required before an issuer or its subsidiaries can approve a service contract of a director or a proposed director which: (a) is for a duration that may exceed three years; or (b) has a notice period of more than one year or requires compensation or other payments equivalent to more than one year's emoluments.

Levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role. In the UK, remuneration for non-executive directors should not include share options. There is no such restriction in Hong Kong. In the UK, if, exceptionally, options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the non-executive director leaves the board. There is no such requirement or recommendation in Hong Kong, although the grant, acquisition, transfer or exercise of an option involving an issuer and its directors will be treated as a connected transaction, which may be subject to shareholders' approval depending on the size of the transaction.

The remuneration committee should consider what compensation commitments (including pension contributions and all other elements) their directors' terms of appointment would entail in the event of early termination. The aim should be to avoid rewarding poor performance. In the UK, the remuneration committee should take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss. There is no such requirement or recommendation in Hong Kong.

The Walker Review recommends that for certain banks and other financial institutions the deferral of incentive payments should provide the primary risk adjustment mechanism to align rewards with sustainable performance for executive board members and "high end" employees included within the scope of the FSA Remuneration Code. Incentives should be balanced so that at least one-half of variable remuneration offered in respect of a financial year is in the form of a long-term incentive scheme. Short term bonus awards should be paid over a three-year period with provision for claw-back in the event of misstatement and misconduct.

Executive board members and "high-end" employees will be expected to maintain a shareholding or retain a portion of vested awards in an amount in line with their total compensation. The Walker Review also recommends disclosure of the number of "high-end" employees, including executive board members, whose total expected remuneration falls within specified bands.

The FSA is proposing to review its Remuneration Code in order to implement these recommendations.

Restrictions on Membership of Committees

A listing agreement entered into by an Indian-listed entity usually restricts a director from being a member of more than ten committees or acting as chairman of more than five committees across all of the companies of which he is a director. Furthermore, it is also a mandatory annual requirement for every director to inform the company about the committee positions he occupies in other companies and to notify changes as and when they take place.

The Combined Code was revised at the end of June 2008 to remove the restriction on an individual chairing more than one FTSE 100 company. This applies to accounting periods beginning on or after 29 June 2008.

There is no such restriction or recommendation in Hong Kong. However, it is recommended that each director should disclose to the issuer at the time of his appointment, and on a periodic basis, among other things, the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved.

Code of Business Conduct and Ethics

A listing agreement entered into by an Indian-listed entity usually requires the board to lay down a code of conduct for all board members and senior management of the company. The code of conduct shall be posted on the website of the company. Further, all board members and senior management personnel shall affirm compliance with the code on an annual basis. The annual report of the company shall contain a declaration to this effect signed by the CEO.

While there is no requirement in the UK corporate governance regime to adhere to a code of business conduct and ethics, Standard Chartered has adopted a 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 employees. All employees 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.

There is no such requirement or recommendation in Hong Kong.

Annual Report

In terms of the equity listing agreement, a company is required, in its annual report, to provide a brief statement on the company's philosophy on code of governance. Further, a brief description of the audit committee, remuneration committee and shareholders' committee is required to be provided. The annual report should also contain disclosures in relation to materially significant related party transactions that may have potential conflict with the interests of the company at large and details of non-compliance by the company and penalties, if any, imposed on the company during the last three years.

In the UK, the list of suggested items to be included in the annual report of companies includes, among other things: (a) a statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management; (b) the number of meetings of the board and those committees and individual attendance by directors; (c) the other significant commitments of the chairman and any changes to them during the year; (d) how performance evaluation of the board, its committees and its directors has been conducted; (e) the names of the non-executive directors whom the board determines to be independent, with reasons where necessary; and (f) the remuneration of the directors on an individual basis.

In Hong Kong, there are mandatory items to be disclosed in the annual report relating to, among other things, corporate governance practices, remuneration of directors, directors securities transactions and auditor's remuneration. There are also recommended items to be included such as share interests of senior management, internal controls and investor relations.

Compliance with UK and Hong Kong corporate governance practices

The Directors confirm that throughout 2009 the Company complied 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, save one exception: under the Code, all non-executive directors are formally required to meet major shareholders as part of their induction programmes. However, Rudy Markham, our Senior Independent Director met with a number of institutional investors and John Peace, our Chairman, had regular meetings with institutional shareholders. Our Board received regular updates on the views of our institutional shareholders and stakeholders including a presentation from one institutional shareholder on its view of the Company as an investment. Our Board openly seek the views of our shareholders and during the year, the Chairman, Group Chief Executive and Group Finance Director met 23 out of our top 25 investors.

As part of our regulatory obligations, we have in place a code of conduct related to securities transactions by directors the terms of which are no less exacting than required by Appendix 10 of the Hong Kong Listing Rules and we can confirm that the directors were in compliance.

Compliance with corporate governance provisions by the Company

In terms of the IDR Listing Agreement, the Company would be required to comply with the corporate governance provisions as applicable in the UK and Hong Kong. Further, the Company would file a comparative analysis of the corporate governance provisions that are applicable in the UK and Hong Kong along with the compliance of the same vis-à-vis the corporate governance provisions applicable to Indian-listed companies at the time of filing the annual reports with the Stock Exchanges.

THE UK SECURITIES MARKET

Overview of the Financial Sector

The financial services sector in the UK includes banking, insurance, asset management, organised and informal markets, and a wide array of supporting professional services. The financial services sector accounted for 8.6% of UK GDP in 2008 (source: Office for National Statistics). According to the International Financial Services London ("IFSL"), the financial services sector accounted for 3.5% of UK employment in 2009.

Banks

UK banking industry assets totalled £7,616 billion at the end of 2009 (down 4% on the previous year). Foreign banks held 51% of the total. The UK remains one of the leading centres for banking. Its deposits are the third largest in the world after the US and Japan. The 249 foreign banks physically located in the UK is more than in any other centre. As at June 2009, banks operating in the UK accounted for 18% of international bank lending and 22% of international bank borrowing. (source: IFSL)

The UK is also one of the most important centres for private and investment banking. According to the IFSL, UK was the source of 24% of European investment banking fee revenue in 2009, with around a half of European investment banking activity conducted through London.

The FSA has responsibility for supervising banks in the UK (including UK subsidiaries of foreign banks). Branches of foreign banks incorporated elsewhere in the EEA that operate in the UK remain subject to home-country control, but are subject to FSA liquidity requirements. The FSA places heavy emphasis on consumer information and protection. A deposit protection scheme is administered by the FSCS which is an independent body set up under the FSMA.

Insurance

The UK insurance industry remains the largest in Europe and third largest in the world after the US and Japan, accounting for 10.5% share of global premium income. Long-term insurance premium volume was £168.1 billion in 2008, while general insurance premiums were £47.2 billion. UK insurance companies' investments totalled nearly £1.5 trillion in 2008, almost double those of any other European country. (source: IFSL)

There are a number of reasons for the premier position of insurers in the savings and investment market. These include a strong, albeit declining, tradition of employer-funded pension schemes managed by insurers and a culture among the more affluent of a self-funded retirement provision through life insurance. Other factors are the use of endowment life policies to fund repayment of the principal of mortgages at maturity and the requirement by mortgage lenders in a market with high levels of home ownership that borrowers have life coverage. (source: EIU)

Fund managers

The UK is one of the largest markets in the world for fund management along with the US and Japan. It has a strong international orientation and attracts significant overseas funds. London is the leading international centre for fund management. Fund management accounted for 0.65% of UK GDP in 2008. (source: IFSL)

As at February 2010, there were 2,418 investment funds offered by 106 companies, managing £484.7 billion in assets, according to the Investment Management Association. In addition, there were 596 overseas-domiciled funds offered for sale in the UK by 30 companies, with £24.9 billion in assets.

Venture capital and private equity

The UK is the largest and most developed private equity centre in Europe and is second in size globally only to the US. London is one of the leading international centres for the management of private equity investments. Many factors contribute to the attraction of the UK as a centre for private equity such as: the availability of funds to invest; opportunities to make investments; people with the necessary skills to source, negotiate, structure and manage investments; and the availability of exit opportunities such as the large equity market. (source: IFSL).

Worldwide investments of UK private equity firms mirrored falls on the global markets and declined 38% in 2008 to £19.5bn according to the British Private Equity & Venture Capital Association ("BVCA") survey of its members. This was considerably below the record £32bn raised in the previous year but nevertheless is the third-best investment year on record.

Funds raised in the UK totalled £23.1bn in 2008 down from £29.2bn in the previous year. Overseas investors generated around three-quarters of funds raised. Investors from North America were the largest source of funds with 45% followed by investors from the UK with 24% and Continental Europe with most of the remainder. These figures from the BVCA represent the amount raised by independent funds only.

Key reforms in the financial sector

A major reform of financial services regulation in the UK was initiated by the Chancellor of the Exchequer in 1997. That year, the Chancellor announced his decision to merge banking supervision and investment services regulation into the Financial Services Authority.

The first stage of the reform of financial services regulation was completed in June 1998, when responsibility for banking supervision was transferred to the FSA from the Bank of England. In May 2000 the FSA took over the role of UK Listing Authority from the London Stock Exchange. FSMA, which received Royal Assent in June 2000 and was brought into force on 1 December 2001, transferred to the FSA the responsibilities of several other organisations: the Building Societies Commission, the Friendly Societies Commission, the Investment Management Regulatory Organisation, the Personal Investment Authority, the Register of Friendly Societies and the Securities and Futures Authority.

In addition, the legislation gave the FSA new responsibilities, in particular taking action to prevent market abuse. In October 2004, following a decision by the Treasury, the FSA took on responsibility for mortgage regulation. In January 2005, the FSA implemented the Insurance Mediation Directive and in accordance with a government announcement in 2004 the FSA took on regulation of general insurance business (source: FSA).

Given the UK's membership of the EU, the FSA's agenda in the area of banking and finance is mainly driven by legislation adopted by the EU as a whole. In the fiscal year April 2007 to March 2008, the implementation of the revised Basel framework via the CRD and of the MiFID were high on the FSA's list of priorities (source: EIU).

Further reforms have been proposed by the Basel Committee and the European Commission – see further "*Banking Sector Overview*" on page 85.

In April 2009 the Commission published proposals on the regulation of alternative investment fund managers including, but not limited to, private equity and hedge funds. Under the draft Alternative Investment Fund Managers directive, Managers of such funds (subject to limited exceptions) will need to be authorised by their home Member State and will be subject to rules on risk management and conflicts of interest, among other things. Managers will need to appoint a valuer and an independent custodian which must satisfy the criteria under Article 17 of the current draft of the directive. The current proposals require the custodian to be a bank or an investment firm with its registered office in the EU or another category of regulated entity which is eligible to be a depository under Art 23(3) of EC Directive 2009/65/EC, and will be able to market EU funds on the basis of their home state authorisation. The proposals have proved controversial among the alternative investment fund industry. The terms of the directive are currently being negotiated by the Council and the European Parliament and the final text is likely to differ in several respects from the Commission's original proposal.

Securities Market Regulator

The UK's financial system comes under a single regulator, the FSA. The Bank of England has responsibility for monetary policy and the stability of payments systems and remains the lender of last resort. The Banking Act 2009 has provided new powers to deal with failing banks. The Government consulted in May 2009 on extending these arrangements to investment firms and in December 2009 announced policy initiatives as part of a further consultation to mitigate the failure of an investment firm. The FSA is prompt at transposing EU financial services legislation into domestic law and has direct powers to do this in certain circumstances (source: EIU).

Financial Services Authority

The FSA is the statutory regulator with powers granted under FSMA.

The FSA has been given a wide range of rule-making, investigatory and enforcement powers to meet its four statutory objectives of:

- market confidence: maintaining confidence in the financial system;

- public awareness: promoting public understanding of the financial system;
- consumer protection: securing the appropriate degree of protection for consumers; and
- the reduction of financial crime: reducing the extent to which it is possible for a business to be used for a purpose connected with financial crime.

In July 2009 the Government proposed adding a new financial stability objective.

The FSA regulates financial services markets, exchanges (including the London Stock Exchange) and firms. It sets the standards that they must meet and can take action against firms if they fail to meet the required standards.

The FSA as the UKLA is responsible for reviewing applications for admission to listing of securities to the Official List in the UK and has published listing rules which set out, among other things, the requirements for listing in the UK.

Although there is no memorandum of understanding between the FSA and the SEBI separately, they are both signatories to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Co-operation and the Exchange of Information, a global information-sharing arrangement among securities regulators to facilitate co-operation to combat violations of securities and derivatives laws.

Panel on Takeovers and Mergers

The Panel is an independent body, established in 1968, whose main function is to issue and administer the City Code and to supervise and regulate takeovers and other matters to which the City Code applies in accordance with the rules set out in the City Code. The UK Companies Act 2006 placed the Panel on a statutory footing.

The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Takeover Directive. Its statutory functions include making rules to give effect to the EU Takeover Directive and for, or in connection with, the regulation of takeover bids, merger transactions and other transactions which may have an effect on the ownership or control of companies. The Panel has a statutory duty to cooperate with the FSA and other similar regulatory bodies.

History of the London Stock Exchange

The earliest evidence of organised trading in marketable securities in London arose in 1698. In 1773, a group of brokers and jobbers created "The Stock Exchange". With the deregulation of the market in 1986, known as the "Big Bang", the exchange became a private limited company and then a public limited company under the UK Companies Act. More recent developments include the increasing moves towards electronic trading, the introduction of alternative markets such as the launch of the AIM in 1995 and demutualisation resulting in the listing of the London Stock Exchange on the Main Market in 2001 (source: London Stock Exchange).

The London Stock Exchange is a Recognised Investment Exchange and has to satisfy the requirements detailed in the FSA's Recognised Investment Exchanges and Recognised Clearing Houses sourcebook. The London Stock Exchange enforces the Rules of the London Stock Exchange to ensure an orderly market.

The London Stock Exchange comprises four primary markets:

- the Main Market, a market for large, established companies across all sectors;
- the AIM, an equities market for smaller growing companies;
- the Professional Securities Market, for listed debt and depository receipt securities; and
- the Specialist Fund Market, dedicated to specialised investment entities such as hedge funds, private equity funds and certain emerging market and specialist property funds.

Trading on the London Stock Exchange occurs from Monday through Friday between 8.00 a.m. and 9.30 p.m. (GMT) (except public holidays).

Shares on the London Stock Exchange are traded on a variety of different electronic trading systems. These include SETS (the London Stock Exchange's electronic order book) for FTSE 100 securities and for the most liquid FTSE 250 securities, SETSmm for Main Market mid-cap securities to the most liquid AIM securities and SETSqx for the less liquid securities quoted on the Main Market. International trading systems include the International Order Book, the International Bulletin Board and the International Retail Service. Trades will be executed on the investor's behalf by a broker.

Settlement of trading in shares on the London Stock Exchange is through a system called Euroclear UK and Ireland (formerly CREST) which is a paperless share settlement system. When a trade is executed, details of the trade are sent by both parties electronically to the settlement system which matches the messages and checks that there are enough shares in the seller's account.

There is currently no UK law which restricts foreign ownership of UK securities.

Transactional Costs and Regulatory Approvals

Transfers of chargeable securities in uncertificated form within an electronic transfer system will give rise to SDRT. The tax is (usually) 0.5% of the amount of the consideration, although higher rates can be charged for transfers or issues of chargeable securities to a depository or to people operating clearance services. The tax is payable by the transferee, but is usually collected by the accountable person (e.g., the broker) who pays it directly to Her Majesty's Revenue and Customs, although in transactions made through an electronic settlement system the tax may be calculated and payment made automatically. In addition, it will be necessary to pay the broker to execute a trade either through its spread or through paying commission.

Regulatory notifications need to be made and approvals sought if the listed company in which shares are being acquired is an authorised person (or the controller of an authorised person) under FSMA and the transaction results in the acquirer acquiring in total 10% or more of the shares or voting power or significant influence over the management of the company or one of the other higher thresholds set out in FSMA as amended by the Financial Services and Markets Act 2000 (Controllers) Regulations 2009.

Listing Regulations

The listing of securities on the London Stock Exchange is regulated by the UK Listing Rules. The FSA has the power to suspend listing of an issuer's securities if the smooth operation of the market is, or may be, temporarily jeopardised or if it is necessary to protect investors. The FSA may impose such conditions on the procedure for lifting a suspension of listing as it considers appropriate.

Under the UK Listing Rules, there is a two-tier listing regime: securities listed on the Official List are listed on either the premium segment of the Official List or the standard segment of the Official List. The premium listed segment is only available to equity shares of commercial companies, closed-ended investment funds and open-ended investment companies that meet the full set of super-equivalent requirements. A listed company with no securities listed on the premium segment of the Official List has fewer obligations under the UK Listing Rules than an issuer with securities listed on the premium segment of the Official List.

The FSA is also responsible for the Disclosure and Transparency Rules. The Disclosure and Transparency Rules require, *inter alia*, a person to notify the company and the FSA if the voting rights that person holds or is deemed to hold as shareholder or through a direct or indirect holding of certain financial instruments:

- reaches, exceeds or falls below 3% and each 1% threshold thereafter up to 100% as a result of an acquisition or disposal of shares or certain financial instruments (or, in the case of a non-UK issuer, on the basis of thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%); or

- reaches, exceeds or falls below the thresholds stated above as a result of events changing the breakdown of voting rights and on the basis of the monthly disclosure of the total number of voting rights and capital by the company.

The listed company itself then has an obligation to make the information it was notified about public.

A person who holds, directly or indirectly, depository receipts in respect of shares must comply with the above notification obligations if the depository receipts result in an entitlement to acquire, on such person's own initiative alone, under a formal agreement, shares to which voting rights are attached, already issued, of an issuer. The FSA introduced a disclosure regime for contracts for differences in 2009.

Dealings in shares in a listed company that is the subject of a takeover bid may also have to be disclosed under the City Code.

Delisting

A listed company can be delisted under the provisions of the UK Listing Rules which govern voluntary and mandatory delisting of shares of UK companies from the Official List. The delisting may be imposed unilaterally by the FSA or may be requested by an issuer of securities.

The FSA may cancel the listing of securities if it is satisfied that there are special circumstances that preclude normal regular dealings in them. The UK Listing Rules provide non-exhaustive lists of situations in which the FSA would consider it appropriate to cancel the listing of a security. These situations include:

- where the securities are no longer admitted to trading as required by the UK Listing Rules;
- where the issuer no longer satisfies its continuing obligations for listing; or
- where the securities listing has been suspended for more than six months.

In addition, the FSA may cancel a listing of securities at the request of the issuer, provided that the issuer complies with the requirements of the UK Listing Rules (principally the passing of a special resolution of the shareholders to approve the delisting, in the case of equity securities).

An issuer must inform the FSA if its listing has been suspended, cancelled or restored by an overseas exchange or an overseas authority.

City Code

Mandatory bid obligations for listed and certain other UK companies under English law are governed by the City Code which prescribes certain thresholds or trigger points that give rise to these obligations. The City Code is designed principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The City Code provides an orderly framework within which takeovers are conducted and is designed to promote, in conjunction with other regulatory regimes, the integrity of the UK financial market. The City Code is under constant review by the Panel.

The City Code is made and administered by the Panel. The rules of the City Code have statutory force in the UK and the Panel has statutory powers in respect of offers and other transactions to which the City Code applies.

The City Code outlines the conduct to be observed in takeover and merger transactions and dual holding company transactions. It applies, broadly speaking, to all companies and Societas Europaea (and, where appropriate, statutory and chartered companies) which have their registered office in the UK, the Channel Islands or the Isle of Man if any of their securities are admitted to trading on a regulated market in the UK or on any stock exchange in the Channel Islands or the Isle of Man, as well as to offers for public companies which do not have securities traded on a regulated market (and certain private companies), but which are considered by the Panel to be resident in the UK, the Channel Islands or the Isle of Man. The status or residence of the offeror is immaterial.

The City Code comprises six general principles and 38 rules (as well as numerous notes which aid the interpretation of the rules). Its underlying objective can be summed up in three principles:

- all shareholders of the same class in a target company must be treated equally and must have adequate information so that they can reach a properly informed decision;
- a false market must not be created in the securities of the offeror or the target company; and
- the management of the target company must not take any action which would frustrate an offer without the consent of its shareholders.

The 38 rules, which form the bulk of the City Code, are effectively expansions of the general principles and contain provisions governing specific aspects of a takeover. Both the spirit as well as the precise wording of the City Code are required to be observed.

The Panel is not concerned with the financial or commercial advantages or disadvantages of a takeover, which the Panel regards as matters for the company and its shareholders.

Insider Dealing and Market Abuse

The Criminal Justice Act 1993 provides (subject to certain defences) that an individual commits a criminal offence if he deals, or encourages another person to deal, in securities of a company on the basis of inside information which has not been made public and which, if made public, would significantly affect the price.

The criminal offence of insider dealing is supplemented and extended by the statutory market abuse regime, breach of which can give rise to civil penalties. Pursuant to FSMA, the FSA has powers to impose unlimited fines on individuals and firms which commit market abuse. The following types of behaviour may constitute market abuse within FSMA: (i) insider dealing; (ii) improper disclosure of inside information (including encouraging); (iii) misuse of information; (iv) manipulative transactions; (v) dissemination of information which gives a false or misleading impression; and (vi) distortion of markets.

Model Code

The UK Listing Rules require listed companies to impose restrictions on directors' dealings in the shares of their company in certain circumstances.

The Model Code is a set of guidelines regarded by the FSA as setting a minimum standard of good practice and with which a listed company must, as a minimum, comply as part of its continuing obligations. The Model Code covers instances where, even though not expressly prohibited by statutory provisions, it would be undesirable for a director to buy or sell the company's securities.

The main prohibitions on dealings under the Model Code are as follows:

- a person discharging management responsibilities (PDMR) must not deal in the company's securities unless he has first received clearance (subject to certain exceptions). A director or the company secretary must seek clearance from the Chairman or another director designated to issue such a clearance. The Chairman himself, before dealing, must seek clearance from the Chief Executive or in his absence the senior independent director. PDMRs who are not directors must seek clearance from the company secretary or a director designated to issue such a clearance.
- a PDMR must not be given clearance to deal in the company's securities on considerations of a short-term nature;
- a PDMR must not deal in the company's securities during a ''prohibited period''. A ''prohibited period'' is (1) any close period or (2) any period when there exists any matter which constitutes inside information in relation to the company. A ''close period'' is the period of 60 days immediately preceding the preliminary announcement of the company's annual results or the publication of its annual financial report or, if shorter, the period from the relevant financial period end up to the announcement or publication. If the company reports on a half-yearly basis, the ''close period'' is the period from the relevant financial period end up to and including the time of the publication. If the company reports on a quarterly basis, the ''close period'' is the period of 30 days immediately preceding the announcement of the quarterly results or, if shorter, the period from the end of the relevant financial period end up to the announcement.

A person who is not in possession of price-sensitive information in relation to the company may be given clearance to sell (but not to purchase) securities of the company if he is in severe financial difficulty or there are other exceptional circumstances. The FSA should be consulted at an early stage regarding any application by a restricted person to deal in such circumstances.

Public Issuance of Securities

Under FSMA, it is unlawful for shares and other transferable securities to be offered to the public in the UK, or to be admitted to trading on a regulated market situated in the UK, without a prospectus. The prospectus must contain information specified by the FSA under the prospectus rules and must be filed with the FSA and made available to the public. A company's directors may be subject to civil and criminal liability for misstatements in a prospectus.

All companies, including public limited companies, are required under the UK Companies Act to prepare, file with the UK Registrar of Companies and circulate to their shareholders audited annual accounts, which comply with the UK Companies Act and European disclosure requirements and regulations governing their manner of presentation.

Nature of the Securities Trading Market

The London Stock Exchange and its associated market, AIM, historically make up the largest stock exchange in Europe and the second largest in the world on many indicators, after the New York

Stock Exchange. The London Stock Exchange accounted for 19% of global foreign equity trading in the first nine months of 2009, second only to New York (source: IFSL).

There were 2,952 companies listed on the London Stock Exchange as of 31 May 2009. This included 1,148 companies with their main listing on the London Stock Exchange Main Market. There were 322 with a secondary listing in London (i.e. on the International Main Market), 42 companies listed on the Professional Securities Market, two listed on the Specialist Fund Market and 1,438 listed on AIM, of which 1,166 were incorporated in the UK. Total market capitalisation of the companies on the London Stock Exchange Main Market at end-May 2009 was £1.37 trillion. The market capitalisation of AIM-listed companies was £47.5 billion (source: EIU).

Notices requiring information about interests in shares

A public company in the United Kingdom has a statutory right to make certain enquiries to establish who has an interest in its shares. For these purposes, references to "shares" are to the relevant company's issued shares with voting rights, including treasury shares. Temporary suspension of voting rights does not cause shares to be excluded from this definition.

Section 793 of the UK Companies Act permits a public company to give notice to any person whom the company knows, or has reasonable cause to believe, is interested in the company's shares now or at any time during the previous three years. The notice can require the addressee:

- to confirm or deny their interest in the company's shares;
- to give particulars of any interests he has or has had during the previous three years;
- if any other person is or has been interested in the same shares, to give "so far as lies within his knowledge" particulars with respect to that other interest; and
- if he is no longer interested in shares in the company, to give "so far as lies within his knowledge" particulars of the identity of the person who acquired his interest.

A reply to any notice given by a company under section 793 must be given within "such reasonable time as may be specified in the notice". What is reasonable in this context will depend on the circumstances and the UK Companies Act gives no further guidance.

A shareholder, or a group of shareholders acting together, holding at least 10% of the paid-up voting capital of a public company (excluding treasury shares), has the right to require the company to serve a section 793 notice. To be valid, such a request must:

- be authenticated by the registered holder(s) of the shares making up the 10%;
- state that the company is requested to exercise its powers under section 793;
- "specify the manner in which the company is requested to act" (this would likely include the details of the addressees to whom the shareholder is requesting notices be sent); and
- "give reasonable grounds for requiring the company to exercise those powers in the manner specified".

If a company fails to comply with a request that has been validly made, the company's directors and secretary who fail to comply each commit a criminal offence.

"Interest", in this context, has a very broad definition and under the provisions of the UK Companies Act, "a reference to an interest in shares includes an interest of any kind whatsoever in the shares; and … any restraints or restrictions to which the exercise of any right attached to the interest is or may be subject shall be disregarded". Beneficiaries are interested in trust property. Joint holders are each interested in the whole holding. A person is interested in shares in which his spouse, civil partner or child is interested. An interest held as a nominee is a relevant interest for these purposes. A person is also deemed to be "interested" in shares if a body corporate is interested in them and the directors of that body corporate are accustomed to act on the first person's instructions, or the first person is entitled to exercise or control the exercise of one-third of the voting rights of the body corporate in general meeting.

A person is also interested if:

- he has a contract to acquire the shares;
- not being the registered holder, he is entitled to exercise or control the exercise of rights conferred by the holding of the shares (or has a right or obligation, conditional or unconditional, which would make him so entitled);

- he has a right to call for delivery of the shares;
- he has a right or obligation to acquire an interest in the shares (conditional or unconditional); or
- he has, or is entitled to acquire, a right to subscribe for the shares.

An interest in shares may also arise from an agreement or arrangement (including in certain circumstances non-legally-binding arrangements) that includes provision for the acquisition by any one or more of its parties of interests in shares in a particular public company, which contains restrictions on the parties regarding their use, retention or disposal of interests, and pursuant to which the company's shares are in fact acquired. Agreements to underwrite or sub-underwrite are, however, excluded. In this case, each of the parties to it is deemed to be interested in all the shares in which each of the other parties is interested.

The failure of a person to respond to a notice under section 793, or responding in a manner which a person knows to be false or recklessly making a statement that is false in a material particular, is an offence which may be punished by imprisonment or a fine. In addition, where a person has failed to respond to a notice within the time specified, the company may apply to the court for an order directing that the shares in question be subject to restrictions. These restrictions relate to the following:

- any transfer of shares is void;
- no voting rights are exercisable in respect of the shares;
- no further shares may be issued in right of the shares or in pursuance of an offer made to their holder; and
- except in liquidation, no payment may be made of sums due from the company on the shares, whether in respect of capital or otherwise.

It is also an offence to attempt to evade restrictions on shares. The court may order that shares subject to restrictions be sold. It should be noted that a person does not commit an offence by failing to respond to a section 793 notice if he can prove that the request in the notice was frivolous or vexatious. There is no territorial restriction on the application of these provisions.

Companies are required to maintain registers of notices given and replies received under section 793.

Sections 397 (misleading statements and practices) and 118 (market abuse) of FSMA may also be relevant where there has been a breach of a person's obligation of disclosure under the section 793 requirements. In broad terms, section 397, *inter alia*, imposes criminal sanctions in respect of:

- any false or misleading statement or any dishonest concealment of facts which induces any person to take or not to take some action with respect to an investment; or
- any act or "course of conduct" which creates a false or misleading impression as to the market in any investment. It is considered that failure to perform a legal obligation may amount to a "course of conduct".

By section 118 subsections (2)-(8), any behaviour that is likely to give a regular user of the market a false or misleading impression as to the supply of, or demand for, or as to the price or value of, investments of the kind in question, as well as other prescribed behaviour, may constitute market abuse. Failure to comply with the disclosure obligations under section 793 might constitute such behaviour.

Overview of the Financial Sector

A wide variety of financial products and services in Hong Kong has given rise to diverse institutions offering specialised services. Banks and non-bank financial institutions are closely integrated. Many banks, for example, are also involved in securities dealing and asset management. Some banks also have insurance subsidiaries. Various types of funds are sold by banks, securities firms and fund-investment advisers.

Banks

At the end of 2009, there were 146 licensed banks, 26 restricted licensed banks and 28 deposit-taking companies in business. Of the 146 licensed banks, 123 were incorporated outside Hong Kong (source: EIU).

The Banking Ordinance provides the legal framework for banking supervision, empowering the HKMA to "promote the general stability and effective working of the banking system". The HKMA also seeks to establish a regulatory framework that is fully in line with international standards, especially those recommended by the Basel Committee on Banking Supervision. The objective is to devise a prudential supervisory system to help preserve the general stability and effectiveness of the banking system (source: EIU).

The HKMA carried out a gradual deregulation of the banking sector from 1999 to 2002. In November 2001 the HKMA lifted all branch restrictions on foreign banks; since then, overseas-incorporated banks have been able to set up as many branches in Hong Kong as they wish. In July 2001 all interest rate regulations were lifted, leaving banks free to set their own deposit rates. In May 2002 the HKMA reduced the minimum asset requirement for foreign banks and made it easier for restricted licence banks and deposit-taking companies to upgrade to licensed-bank status (source: EIU). See the section titled "*Industry*" on page 78 of this Red Herring Prospectus for further details on the Hong Kong banking sector.

Insurance

Hong Kong has one of the most competitive insurance markets in Asia. It had a population of 7.03 million and 171 authorised insurers as at the end of 2009, according to the Office of the Commissioner of Insurance. Forty-six of these were long-term (mostly life) insurers, 106 were general insurers and 19 were composite life and non-life insurers. As at 26 February 2010 eighty-nine of the 170 insurers were incorporated in Hong Kong.

Hong Kong's insurance industry has been growing steadily from the 1990s to 2007, driven by long-term (mostly life) business. In 2008, total gross premiums (of both general and long-term insurance business) decreased by 4.4% to HK$188.7 billion from HK$197.3 billion in 2007. The long-term business accounted for the bulk of total gross premiums – HK$161.9 billion – while general business accounted for HK$26.7 billion in 2008 (source: EIU).

Asset management

Hong Kong is a major regional financial management centre and has the largest concentration of international fund managers in Asia. According to an annual Fund Management Activities Survey released in July 2009 by the SFC, total assets in the fund management business (including asset management, advisory and other private banking business of SFC-licensed corporations and banks, as well as assets managed in the form of real estate investment trusts ("REITs"), decreased by 39.3%, to HK$5,850 billion in 2008 from HK$9,631 billion in 2007. Banks accounted for HK$108 billion, or 2.9% of the total assets, in 2008. The remainder of the fund management business was accounted for by non-bank asset management and fund advisory companies as well as REITs.

The fund management industry in Hong Kong is characterised by its international appeal and a large portion of funds under management is derived from non-Hong Kong investors. According to the results of a survey published by the SFC in July 2009, 64.2% of assets of the non-REIT fund management business were sourced from overseas investors in 2008. Hong Kong's ability to attract capital from non-Hong Kong investors may be attributed to the large number of international financial institutions, the large pool of investment professionals, a wide variety of investment products and an established platform for investment.

Venture capital and private equity

According to the Hong Kong Trade Development Council ("HKTDC"), as at June 2008, Hong Kong is the largest venture capital centre in Asia, managing 29% of the total capital pool in the region. As of June 2008, there were 294 private-equity funds based in Hong Kong, and capital under management by the industry reached US$57.6 billion, up from US$51.4 billion a year earlier. Hong Kong had a pool of 619 private-equity professionals, the second highest in Asia after Japan, according to the HKTDC (source: EIU).

Key reforms in the financial sector

The HKMA was created in 1993 by combining the Office of the Exchange Fund with the Office of the Commissioner of Banking.

The HKMA is accountable to the Financial Secretary of Hong Kong but it also has a high degree of autonomy. The HKMA's policy objectives are: (i) to maintain currency stability, within the framework of the linked exchange rate system, through sound management of the Exchange Fund, monetary policy operations and other means deemed necessary; (ii) to promote the safety and stability of the banking system through the regulation of banking business and the business of taking deposits, and the supervision of authorised institutions; and (iii) to enhance the efficiency, integrity and development of the financial system, particularly payment and settlement arrangements (source: HKMA).

In 2002, the positions of Secretary for the Treasury and Secretary for Financial Services were merged to become the Financial Services and the Treasury Bureau. The Bureau's Financial Services Branch retained policy responsibility for Hong Kong's financial markets but market regulatory functions have since been performed by independent statutory regulators.

The last significant reform of financial services regulation in Hong Kong was completed in 2003 when the SFO came into force. The SFO consolidated into one piece of legislation the 10 ordinances that previously regulated the securities and futures industry in Hong Kong. The SFO changed the licensing regime, set out disclosure obligations on substantial shareholders and directors of Hong Kong listed companies, and changed the market misconduct laws. The SFC has also been given more powers of supervision and investigation under the SFO.

Securities Market Regulator

A three-tiered regulatory regime structures equity activity in Hong Kong. The Financial Services Branch of the Financial Services and Treasury Bureau is responsible for facilitating and coordinating initiatives to upgrade overall market quality and the Legislative Council is responsible for considering legislative proposals. The SFC was established in 1989 as a market regulator and is responsible for overseeing the equities and futures markets. The SFC has a statutory role to supervise, monitor and regulate the listing-related activities of the Hong Kong Stock Exchange as operator of the stock market. Subsidiary legislation promulgated under the SFO imposes a dual-filing regime that requires all listing applicants to submit prospectuses to both the SFC and the Hong Kong Stock Exchange for approval. Criminal liability may be attached to intentional or reckless disclosure of materially false or misleading information in these documents (source: EIU).

The SFC, an independent, non-governmental statutory body that provides a general regulatory framework for the securities and futures industries, was established by the Hong Kong government in 1989. The SFC administers certain elements of Hong Kong securities law, including the SFO, which regulates, among other things, activities in the securities market, requirements and conduct of intermediaries, investor compensation, market misconduct and disclosure of interests.

The SFO requires the SFC, among other things:

- to take such steps as it considers appropriate to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- to suppress illegal, dishonourable and improper practices in, promote public understanding of, recommend reforms of law relating to, and advise the Financial Secretary on matters relating to, the securities and futures industry;
- to supervise, monitor and regulate:
  - the activities carried on by recognised exchange companies, recognised clearing houses, recognised exchange controllers, recognised investor compensation companies or persons carrying on activities regulated by the SFC; and

- such of the activities carried on by registered institutions (banks, deposit-taking companies and restricted licence banks authorised under the Banking Ordinance and registered with the SFC under the SFO) as are required to be regulated by the SFC;

- to promote and develop an appropriate degree of self-regulation in the securities and futures industry;
- to promote, encourage and enforce the proper conduct, competence and integrity of persons carrying on activities regulated by the SFC, and the adoption of appropriate internal controls and risk management systems by such persons and in the conduct of activities regulated by the SFC, by registered institutions;
- to encourage the provision of sound, balanced and informed advice regarding transactions or activities related to financial products, and promote public understanding of the benefits, risks and liabilities associated with investing in financial products; and
- to take such steps as it considers appropriate to ensure compliance with the relevant provisions of the SFO.

Although there is no separate memorandum of understanding between the SFC and the SEBI, they are both signatories to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Co-operation and the Exchange of Information, a global information-sharing arrangement among securities regulators to facilitate cooperation to combating violations of securities and derivatives laws.

History of the Hong Kong Stock Exchange

There is only one stock exchange in Hong Kong, the Hong Kong Stock Exchange, which commenced trading on 2 April 1986 and was formed upon the unification of the four stock exchanges then existing in Hong Kong. On 3 March 1999, the Financial Secretary of Hong Kong announced in his budget speech a comprehensive reform of the securities and futures markets in Hong Kong, which included the demutualisation and merger of the five recognised and approved market operators in Hong Kong, namely the Hong Kong Stock Exchange, Hong Kong Futures Exchange Limited, HKSCC, The SEHK Options Clearing House Limited and HKFE Clearing Corporation Limited under a single holding company (which was subsequently incorporated under the name of Hong Kong Exchanges and Clearing Limited). The merger became effective on 6 March 2000.

As a result of the merger, the former shareholders of the Hong Kong Stock Exchange and Hong Kong Futures Exchange Limited effectively exchanged their ownership rights in those two exchanges for economic interests in the Hong Kong Exchanges and Clearing Limited and the conventional right to receive dividends, while retaining their existing rights to trade on the two exchanges. At the same time, certain of the regulatory functions performed by the Hong Kong Stock Exchange were passed over to the SFC.

Trading on the securities market of the Hong Kong Stock Exchange occurs from Monday through Friday, from 10 a.m. to 12.30 p.m. and 2.30 p.m. to 4.00 p.m. (pre-opening session: 9.30 a.m. to 10.00 a.m.). The Hong Kong Stock Exchange operates on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday.

Trading on the Hong Kong Stock Exchange is order-based using a computer-assisted trading system that conveys bid and ask prices for securities. Trades are then effected on a matched trade basis directly between buyers and sellers. All securities are traded in board lots. For most companies a board lot is 1,000 shares or 2,000 shares; odd lots are traded separately, usually at a small discount to the board lot prices. All trades on the Hong Kong Stock Exchange are generally required to be settled between broker participants through the CCASS. CCASS is the central depository of share certificates and provides a computerised book-entry settlement of share transactions between its participants, which include all broker participants of the Hong Kong Stock Exchange. Share certificates kept at CCASS are electronically recorded in the stock accounts of its participants. CCASS also facilitates money settlement between participants. It is also possible for settlement to take place outside CCASS (except in relation to trades between broker participants of the Hong Kong Stock Exchange). In such a case, share certificates, together with signed instruments of transfer, must be delivered on the second Business Day following the transaction and will typically be delivered against payment by cheque or bank cashier orders. Other than certain specified forms of short selling, short selling of securities at or through the Hong Kong Stock Exchange is currently proscribed except in respect of a limited group of securities designated by the Hong Kong Stock Exchange as eligible for short selling.

There is currently no Hong Kong law which may restrict foreign ownership of Hong Kong securities (other than in relation to investments in certain telecommunications and broadcasting service providers).

Currently, there are two stock boards in Hong Kong, the main board and the GEM board. The latter was set up in 1999 to attract higher-risk growth companies with lower entry criteria and more disclosure requirements than the main board. The Hong Kong Stock Exchange launched the framework for listing of the depository receipts in Hong Kong in July 2008.

Transactional Costs and Regulatory Approvals

The SFC charges a transaction levy of 0.004% and an investor compensation levy of 0.002% (which has been suspended pending further notice) of the consideration of each transaction and the Hong Kong Stock Exchange charges a trading fee of 0.005% of the consideration of each transaction, payable by both seller and buyer. In addition, member brokers charge brokerage commissions to either a buyer or a seller which are freely negotiated between such brokers and their clients. Additional administrative fees are also payable for trades settled through CCASS. Member brokers are required to make a contract note in respect of each transaction in securities unless permitted otherwise under the relevant SFC rules. The contract note is required to be stamped with *ad valorem* stamp duty, currently charged at 0.1% on the higher of the consideration for or the value of the shares, which will be payable by each of the purchaser and the seller on every sale and purchase of shares. The contract note has to be delivered to the client not later than the end of the second business day following the transaction.

Listing Regulations

Issues of securities in companies are governed by the Companies Ordinance, the SFO and, where the securities will be listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules. The Hong Kong Stock Exchange is responsible for administration of the listing process and certain of the SFC's statutory functions, including that of approving prospectuses concerning shares in or debentures of a corporation, have been transferred to the Hong Kong Stock Exchange. However, the SFC may object to a listing of securities in certain circumstances, including if disclosure in the listing materials appears to the SFC to contain false or misleading information.

The listing division of the Hong Kong Stock Exchange oversees listing debuts and may impose additional requirements or make listing subject to special conditions. It may also waive certain listing requirements at its discretion.

The SFO, which came into effect on 1 April 2003, imposed a dual-filing regime that requires all listing applicants to submit prospectuses to both the SFC and the Hong Kong Stock Exchange for approval. To formalise the new regime, the Hong Kong Stock Exchange and the SFC signed a memorandum of understanding ("MOU") in January 2003. Under the MOU, listing applicants and listed issuers will continue to file their listing applications and disclosure documents to the Hong Kong Stock Exchange. By using the standard form authorisation letters appended to the MOU, they can authorise the Hong Kong Stock Exchange to file their documents with the SFC on their behalf. The Hong Kong Stock Exchange continues to be responsible for vetting draft documents to be made or issued under the main board and GEM listing rules (source: EIU).

The Hong Kong Stock Exchange promulgates its own rules governing share trading and disclosure of information to shareholders and investors. Companies listed on the Hong Kong Stock Exchange are required to comply with the provisions of the listing rules, which provide for, among other things, the issuance of interim and audited annual accounts to shareholders and the making of prompt public disclosure of material transactions and developments.

The Hong Kong Stock Exchange imposes a requirement on issuers to keep the Hong Kong Stock Exchange, the shareholders and other holders of listed securities informed as soon as reasonably practicable of any information relating to the issuers, including information on any major new developments which are not public knowledge, which: (1) is necessary to enable them and the public to appraise the issuer's position; (2) is necessary to avoid the establishment of a false market in the issuer's securities; or (3) might be reasonably expected materially to affect market activity in and the price of the issuer's securities.

There are also requirements under the listing rules to obtain prior shareholders' approval and/or to disclose to shareholders details of certain acquisitions or disposals of assets and connected transactions.

Delisting

The delisting regime under the Hong Kong Listing Rules applies in the same way to both companies with shares or HDRs listed on the Hong Kong Stock Exchange. An issuer whose primary listing is on the Hong Kong Stock Exchange and which has an alternative listing on another regulated stock exchange recognised by the Hong Kong Stock Exchange (including the London Stock Exchange), may not voluntarily withdraw its listing on the Hong Kong Stock Exchange unless: (1) the prior approval of shareholders has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; (2) if applicable, the prior approval of holders of any other class of listed securities has been obtained; and (3) the issuer has given its shareholders and holders of any other class of listed securities (if applicable) at least three months' notice of the proposed withdrawal of listing. This minimum notice period runs from the date on which the shareholders approve the voluntary withdrawal of listing and such notice must include details of how to transfer securities to and trade those securities on the alternative market.

The Takeovers Code and the Share Repurchase Code

The Hong Kong Takeovers Code and the Share Repurchase Code have been issued by the SFC. The primary purpose of the codes is to afford fair treatment for shareholders who are affected by takeovers, mergers and share repurchases. The codes seek to achieve fair treatment by requiring equality of treatment of shareholders, mandating disclosure of timely and adequate information to enable shareholders to make an informed decision as to the merits of an offer and ensuring that there is a fair and informed market in the shares of companies affected by takeovers, mergers and share repurchases. The codes also provide an orderly framework within which takeovers, mergers and share repurchases are to be conducted.

The Hong Kong Takeovers Code and the Share Repurchase Code do not have force of law. They are framed so far as possible in non-technical language and should not be interpreted as if they are statutes. They represent a consensus of opinion of those who participate in Hong Kong's financial markets and the SFC regarding standards of commercial conduct and behaviour considered acceptable for takeovers, mergers and share repurchases. This consensus of opinion is reflected in rulings made by the Hong Kong Takeovers and Mergers Panel when interpreting the codes, given the diverse range of interests represented by the Hong Kong Takeovers and Mergers Panel's members.

Nature of the Securities Trading Market

Hong Kong's securities market ranked seventh in the world by capitalisation at the end of November 2009, and was the third largest in Asia, after Tokyo and Shanghai, according to the World Federation of Exchanges (source: EIU). As at 31 December 2009, there were 1,145 companies listed on the main board of the Hong Kong Stock Exchange and the average daily turnover of the main board of the Hong Kong Stock Exchange in 2009 was HK$62 billion. The market capitalisation of the Hong Kong Stock Exchange was approximately HK$144,484,329,233 on 28 February 2010.

Hong Kong is an important centre for raising capital for the Chinese mainland. Much of the foreign money designated for investment in the People's Republic of China (the "PRC") is still channelled through Hong Kong's equity market, although the PRC markets are slowly opening to overseas investors. Mainland enterprises raised HK$201 billion in IPOs on the Hong Kong Stock Exchange in 2009, which represented 83% of total IPO funds raised on the Hong Kong Stock Exchange during the year, compared with HK$47.7 billion in 2008, which represented 73% of total IPO funds raised on the Hong Kong Stock Exchange during 2008 (source: EIU). Total funds raised in IPOs on the main board and the GEM board, including offerings by Hong Kong's incorporated companies, increased to HK$248.23 billion in 2009, which is 276% higher than the HK$65.98 billion raised in 2008.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

The Company's activities are regulated by its Articles. The Company's current Articles were recently amended by a special resolution of its shareholders passed on 7 May 2009.

Changes in Capital or Articles

Subject to the UK Companies Act (and as a result of the absence of any prohibition in the Company's Articles) the Company may, by passing an ordinary resolution or a special resolution, as applicable, at a general meeting:

- increase its authorised or paid-up share capital;
- consolidate all or any part of its shares into a smaller number of shares each with a larger par value;
- split all or any part of its shares into a larger number of shares each with a smaller par value;
- convert all or any of its paid-up shares into stock, and reconvert any stock into any number of paid-up shares of any denomination;
- cancel shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of the authorised share capital by the amount of the shares so cancelled;
- reduce its issued share capital; and
- alter its Articles.

General Meetings of Shareholders

The Articles rely on the UK Companies Act provisions dealing with the calling of general meetings. The UK Companies Act provides that a general meeting (other than an adjourned meeting) may be called by notice of at least 21 days in the case of an annual general meeting and at least 14 days in any other case. The Company must convene its annual general meeting within six months of the end of each financial year. General meetings may be convened at any time by the Directors at their discretion or by the Directors at the request of the Company's shareholders holding in aggregate not less than 5% of the Company's paid-up capital. A request by shareholders to convene a general meeting must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. A notice in writing to convene a general meeting must set out the date, time, place and agenda of the meeting. The requirement of 21 or 14 days' notice, as the case may be, may be waived if consent to shorter notice is received from shareholders having a right to attend and vote at the meeting holding not less than 95% in nominal value of the shares giving a right to attend and vote at the meeting (excluding treasury shares).

The annual general meeting deals with all matters prescribed by the Articles and by the UK Companies Act, including the following:

- the consideration of the Company's annual financial statements and report of the Company's Directors and auditors;
- the election or re-election of Directors;
- the appointment of auditors and the fixing of their remuneration;
- the authorisation of dividends; and
- the transaction of any other business of which notice has been given.

Division of Shares

The UK Companies Act provides that a company may consolidate and sub-divide its share capital unless prohibited by its articles of association by adopting an ordinary resolution in its general meeting. The Company is not prohibited by its Articles from consolidating and sub-dividing its share capital and may therefore, in general meeting, consolidate and subscribe all or any of its equity shares into a larger or smaller amount.

Voting Rights

Subject to any special terms as to voting on which any shares may have been issued, every shareholder who is present in person or by duly appointed proxy and entitled to vote shall, on a show of hands, have one vote and, on a poll, have one vote for every US$2 nominal value of share capital of which he is the holder. In the case of joint holders, the vote of the senior of the joint holders who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names appear in the register of members in respect of the joint holding.

The holders of any preference shares in issue are not entitled to attend or vote at any general meeting except (i) when the dividend most recently payable on their shares has not been paid in full; (ii) the business of the meeting includes a resolution varying or abrogating any of the rights attached to any such shares (and then in such case only to speak and vote upon any such resolution); or (iii) in such other circumstances and on such terms a the Board may determine prior to the allotment of such shares.

Voting is by a show of hands unless before or on the declaration of the result of the show of hands a poll is ordered by:

(a) the chairman of the meeting, who is generally the chairman of the Board but may be another director or other person selected by the Board or the shareholders present at the meeting in the absence of the chairman;

(b) at least three shareholders present and entitled to vote on the resolution;

(c) any shareholder or shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote on the resolution; or

(d) any shareholder or shareholders present in person or by proxy and holding shares conferring a right to vote on the resolution on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The chairman of the meeting can also demand a poll before a resolution is put to the vote on a show of hands. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional or casting vote. The voting rights of IDR Holders are subject to the terms of the Deposit Agreement. See "*Terms and Conditions of the Indian Depository Receipts*".

At the Company's annual general meeting the votes are taken by a poll. Given that the nominal value of each Share is US$0.50, a shareholder needs to hold four Shares in order to register one vote.

A shareholder may appoint any person (whether or not a shareholder) to act as his proxy at any meeting of shareholders (or of any class of shareholders) in respect of all or a particular number of the shares held by him. A shareholder may appoint more than one person to act as his proxy and each such person shall act as proxy for the shareholder for the number of shares specified in the instrument appointing the person a proxy. The instrument appointing a proxy must be received (a) in the case of an appointment made in hard copy form, at the Company's registered office at least 48 hours prior to the meeting and (b) in the case of an appointment made by electronic means, at the address specified by the Company at least 48 hours prior to the meeting. The instrument appointing a proxy must be received (a) in case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for taking of the poll and (b) in the case of a poll taken following the conclusion of a meeting but 48 hours or less after it was demanded, before the end of the meeting at which it was demanded. The Articles permit a proxy to vote both on a show of hands as well as on a poll. If a shareholder appoints more than one person to act as his proxy, each instrument appointing a proxy shall specify the number of shares held by the shareholder for which the relevant person is appointed as his proxy. A proxy has a right to speak at meetings. A corporate shareholder is also entitled to nominate one or more representatives to attend and vote on its behalf at general meetings. Such a representative is not considered a proxy and he has the same rights as the shareholder to vote at a meeting in respect of the number of shares held by the shareholder, including on a show of hands and a poll. If more than one corporate representative is appointed and purports to exercise their right to vote, they must all vote the same way; otherwise their votes are disregarded.

Quorum

The Articles provide that a quorum for a general meeting is at least five shareholders present in person or by proxy and entitled to vote. The quorum for an adjourned meeting is one shareholder.

Shareholder Resolutions

An ordinary resolution requires the affirmative vote of a majority of the Company's shareholders entitled to vote in person or by proxy at a general meeting.

A special resolution requires the affirmative vote of not less than three-quarters of the shareholders entitled to vote in person or by proxy at a general meeting.

The UK Companies Act provides that certain amendments, including an amendment of the articles of association, a reduction of share capital, approval of variation of rights of special classes of shares and dissolution of the company require a special resolution. A change in the name of a company can be made by special resolution or whatever other means are provided for by its articles of association.

Dividends

The Company may, by ordinary resolution, declare dividends but no dividend shall exceed the amount recommended by the Board. The Board may also declare interim dividends that do not need to be approved by the shareholders. The shareholders have the right to decrease but not increase the dividend amount recommended by the Board. Dividends are generally declared as a percentage of par value and distributed and paid to shareholders in proportion to the paid-up value of their equity shares.

Each preference share confers the right to a non-cumulative preferential dividend payable in such currency, at such rates, on such dates and on such other terms and conditions as may be determined by the Board prior to allotment.

The preference shares rank for dividend in priority to dividends payable on the Shares and in priority to, or *pari passu* with, the holders of any other class of shares in issue, other than shares which by their terms rank in priority to the preference shares.

Generally, the Board has a discretion whether or not to declare and pay a dividend in the preference shares in respect if any financial year. Furthermore if, in the opinion of the Board, insufficient distributable profits are available to cover the payment in full of a dividend to be paid on any preference shares then either none of the dividend shall be payable or, subject to certain conditions, such profits, if any, shall be applied *pro rata* to the extent of the available distributable profits.

No dividend shall be payable if payment would cause a breach of the FSA's capital adequacy requirements applicable to the Company or its subsidiaries.

The Company may cease to pay any dividend payable in respect of shares in the Company if, in respect of at least two consecutive dividends payable on those shares, the means used to pay such dividends have failed. It may also cease to pay any dividend if, in respect of one dividend payable on those shares, the means used to pay such dividend has failed and reasonable enquiries have failed to establish any new postal address or account of the holder. All dividends unclaimed after 12 years from the date when they were declared or became due for payment shall be forfeited and shall revert to the Company unless the Board decides otherwise.

Under the UK Companies Act, a company may only make distributions out of profits available for the purpose, being its accumulated, realised profits so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses so far as not previously written off in a reduction or reorganisation of capital duly made.

Distribution of Assets on a Winding-up

In accordance with the Insolvency Act 1986 of the UK (as amended), all surplus assets remaining after payments are made to employees, statutory creditors, tax and revenue authorities, secured and unsecured creditors and the holders of any preference shares (though not in that order), shall be distributed among the Company's equity shareholders in proportion to the amount paid-up or credited as paid-up on such Shares at the commencement of the winding-up.

Transfer of Shares

Under the UK Listing Rules, the shares of a UK-listed company must be freely transferable. The transferor is deemed to remain the holder until the transferee's name is entered in the register of members. In the case of shares held in certificated form, the Company will register any transfers of equity shares in the register of members upon lodgment of the duly completed share transfer form, the relevant share certificate or, if there is no certificate, the letter of allotment, in respect of shares to be transferred together with duly stamped share transfer forms and provided, in the case of a transfer to joint holders, the number of joint holders to whom the shares are to be transferred does not exceed four. In respect of shares held in uncertificated form, any holder may transfer all or any of his uncertificated shares by means of the electronic settlement system operated by Euroclear.

The Articles provide for certain restrictions on the transfer of equity shares, including granting power to the Board in certain circumstances to refuse to register or acknowledge a transfer of equity shares or other securities issued by the Company.

Share Register and Record Dates

The Company maintains a register of members at its registered office in the UK and a branch register in Hong Kong. All transfers of shares should be notified to the Company at the appropriate address. The register of members (including the Hong Kong branch register) is open for inspection during business hours by shareholders without charge and by other persons upon payment of a fee not exceeding GBP3.50 for each hour or part thereof during which the right of inspection is exercised.

Only those persons who appear on the register of members (including the Hong Kong branch register) are recognised as shareholders and the Company does not recognise any person holding any equity share or part thereof on trust, whether express, implied or constructive, except as permitted by law.

Under the Articles, the Company or the Board may fix any date as the record date for any dividend, distribution, allotment or issue. The Company must announce, as soon as possible, the record date for any dividend or distribution approved by the Board.

Annual Report

At least 21 days before an annual general meeting, the Company must circulate its annual report, which comprises of either a detailed or abridged version of the audited financial accounts, the Directors' report, corporate governance report, and auditor's report, to the shareholders along with a notice convening the annual general meeting. Under the UK Listing Rules, the Company must make public an audited or unaudited half-yearly financial report covering the first six months of the financial year. Such half-yearly report must be made public as soon as possible, but no later than two months, after the end of the period to which it relates. The Company is also required to send copies of its annual report to the London Stock Exchange and the Hong Kong Stock Exchange. In addition, under the UK Listing Rules, the Company must make public an interim management statement during each six-month period of a financial year. Such statement must be made in the period between ten weeks after the beginning, and six weeks before the end, of the relevant six-month period. The statement must contain an explanation of material events and transactions and their impact on the financial position of the Company and a general description of the financial position and performance of the Company.

Under the UK Companies Act, the Company must file with the UK Registrar of Companies its annual report and accounts within six months of the end of the account reference period to which they relate.

Borrowing Powers

The Directors may raise, borrow or secure the payment of any sums of money for the Company's purposes as they deem appropriate without the consent of the shareholders in a general meeting.

Issue of Equity Shares and Pre-emptive Rights

Subject to the provisions of the UK Companies Act and the Articles and to any special rights attaching to any of the existing shares in the Company, the Company may increase its share capital by the allotment or issue of new equity shares with preferred, deferred or other special rights or restrictions regarding dividends, voting, return of capital or other matters as the Company may from time to time determine by ordinary resolution or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. The Company may issue equity shares that are redeemable or are liable to be redeemed at its option or the option of the holder in accordance with the Articles.

Under the UK Companies Act, the Company must first offer any new equity shares to existing shareholders in proportion to the amount they have paid up on their equity shares unless such pre-emption rights have been disapplied by special resolution. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person.

Capitalisation of Profits and Reserves

The Articles allow Directors, with the approval of the shareholders by ordinary resolution, to capitalise any part of the amount standing to the credit of any of its reserves or funds (including retained earnings) whether or not the same is available for distribution. Any sum which is capitalised shall be appropriated among the Company's shareholders in the same proportion as if such sum had been distributed by way of dividend. This sum shall not be paid out in cash and shall be applied in the following manner:

- paying up any amount remaining unpaid on the shares held by shareholders; or
- issuing to shareholders fully paid bonus equity shares (issued either at par or at a premium).

Purchase of Own Equity Shares

A company may reduce its capital in accordance with the UK Companies Act, unless prohibited by its articles of association, and the Articles by way of a share buy-back out of its distributable reserves or the proceeds of a fresh issue of shares subject to certain conditions, including a resolution authorising the buy-back to be passed in a general meeting, being a special resolution in the case of an off-market purchase and an ordinary resolution in the case of an on-market purchase. The Company is not prohibited from reducing its share capital in accordance with the UK Companies Act by way of a Share buy-back.

Any equity shares which have been bought back by the Company may be held as treasury shares for re-sale or cancellation, provided that the aggregate nominal value of the shares of any class held as treasury shares at any one time does not exceed 10% of the nominal value of the issued share capital of the shares in that class at that time.

The Company cannot purchase its own shares through its subsidiaries as the UK Companies Act prohibits a subsidiary from being a member of its holding company.

Rights of Minority Shareholders

Subject to the provisions of the UK Companies Act, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied or abrogated either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. The provisions which apply to general meetings will also apply to such class meeting, except that:

(a) the necessary quorum shall be two persons entitled to vote and holding or representing by proxy not less than one-third in nominal value of the issued shares of the class, or at any adjourned meeting of such holders, one holder entitled to vote and present in person or by proxy, whatever the amount of his holding, who shall be deemed to constitute a meeting;

(b) every holder of shares of the class present in person or by proxy and entitled to vote shall be entitled, on a poll, to one vote for every share of the class held by him; and

(c) any holder of shares of the class present in person or by proxy and entitled to vote may demand a poll.

The UK Companies Act provides that the holders of not less than 15% of the issued shares of the class in question (being persons who did not consent or vote in favour of the resolution for the variation) may apply to the court, within 21 days after the date on which the consent was given or the resolution was passed, to have the variation cancelled.

Mandatory Bids

The City Code applies to the Company. Under the City Code, if an acquisition of Shares were to increase the aggregate holding of an acquirer and its concert parties to Shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending upon the circumstance, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for the Shares by the acquirer or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Shares by a person holding (together with its concert parties) shares carrying between 30% to 50% of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

Provisions on Squeeze Out of Minority Shareholders

Under the UK Companies Act, if an offeror were to acquire or unconditionally contract to acquire 90% of the shares to which the offer relates and 90% of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10%. It would do so by sending a notice to outstanding shareholders telling them that it would compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the UK Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

Sell-out

The UK Companies Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90% of the Shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

Removal of restrictions on the Company's objects and certain other updating changes to its constitution

At its annual general meeting on 7 May 2010 the Company obtained shareholder approval to remove the objects clause from its constitutional documents and make certain other updating changes to its constitution. Pursuant to changes to UK company law, companies now have unrestricted objects unless their constitutional documents provide otherwise and as a result of these changes the majority of public companies in the UK are removing their objects clauses.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts which are or may be deemed material have been entered into or will be entered into by the Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus delivered to the RoC for registration, and also the documents for inspection referred to hereunder, may be inspected at the principal office of the Company in India at 90, Mahatma Gandhi Road, Fort, Mumbai, 400 001 from 10.00 a.m. to 4.00 p.m. on Business Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Issue Agreement dated 30 March 2010 executed among the Company, the BRLMs and Co-BRLM and as amended by an amendment agreement dated 10 May 2010.
2. Escrow Agreement dated [●] among the Company, the BRLMs, the Co-BRLM, the Escrow Collection Bank(s) and the Registrar to the Issue.
3. Syndicate Agreement dated [●] among the company, the BRLMs, the Co-BRLM and the Syndicate Members.
4. Underwriting Agreement dated [●] among the Company, the BRLMs and the Syndicate Members.
5. Deposit Agreement dated 8 May 2010 among the Company and the Depository.
6. Custody Agreement dated 8 May 2010 among the Depository and the Custodian.
7. Registrar Agreement and Transfer Agent Agreement dated 7 May 2010 and [●] respectively among the Company, the Depository and the Registrar to the Issue.
8. Deed Poll dated 8 May 2010 issued by the Company.

Material Documents

1. Articles of the Company as amended at the date hereof.
2. Certificate of incorporation dated 18 November 1969.
3. Resolution of the Board dated 28 October 2008 granting in principle approval for listing of IDRs, Resolution of the Board dated 15 September 2009 granting in principle approval for public filing of the Draft Red Herring Prospectus, Resolutions of a committee of the Board dated 22 March 2010 and 25 March 2010 granting in principle approval for the public filing of the Draft Red Herring Prospectus and authorising the number of IDRs for the Issue, Resolution of a Committee of the Board dated 6 May 2010 granting in principal approval for the filing of this Red Herring Prospectus and Resolution of the Shareholders of the Company dated 7 May 2010 granting the Board authority to allot Shares pursuant to the Issue.
4. Copies of annual reports of the Company and its subsidiaries for the past three financial years.
5. Consents of the Auditors, KPMG, for inclusion of their report on the accounts in the form and context in which they appear in this Red Herring Prospectus.
6. Consents of Auditors, Bankers to the Company, the BRLMs, Syndicate Members, Registrar to the Issue, the Custodian, the Depository, Banker to the Issue, Tax Advisors to the Company, Indian Legal Counsel to the Company, Indian Legal Counsel to the Underwriters, English and Hong Kong Legal Counsel to the Underwriters and English and Hong Kong Counsel to the Company, as referred to, in their respective capacities.
7. In-principle listing approval dated 21 April 2010 and 7 April 2010 from the NSE and the BSE, respectively.
8. Tripartite Agreement among NSDL, the Company and the Registrar to the Issue dated 20 April 2010.
9. Tripartite Agreement among CDSL, the Company and the Registrar to the Issue dated 16 April 2010.
10. Deed of Assignments each dated 8 May 2010, executed by the Company in favour of the Depository relating to the assignment of the Company's right under the Tripartite Agreements..
11. Due diligence certificate dated 30 March 2010 to SEBI from the BRLMs on the publicly filed Draft Red Herring Prospectus.
12. Due diligence certificate dated 10 May 2010 to SEBI from the BRLMs and the Co-BRLM on the publicly filed Red Herring Prospectus.

13. Letters of approval from the RBI for undertaking the Issue dated 7 October 2009, 14 January 2010 and 22 March 2010.
14. Letter of approval from the RBI for opening an INR denominated current account (non-interest bearing) dated 5 May 2010.
15. SEBI observation letter dated 4 September 2009, the Company's letter dated 30 March 2010 (including the Company's reply to the above SEBI letter), SEBI observation letter dated 6 May 2010 and the Company's reply to the same dated 10 May 2010.
16. Certificate given by Slaughter and May to the Company as set out in the section titled "*Vetting, approvals and securities market regulations*" on page 470 of this Red Herring Prospectus.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders, subject to compliance with the provisions of relevant statutes as applicable to the Company.

ADDITIONAL INFORMATION

Vetting, approvals and securities market regulations

Slaughter and May has given a certificate to the Company stating as follows: ''the vetting of this Red Herring Prospectus has been done in accordance with acceptable international practices and the Company has obtained all necessary approvals for this Issue as per the requirements under the jurisdiction of incorporation of the Company and, based on disclosures and representations made to us by the Company and to the best of our knowledge, we believe that the Company has complied with necessary and applicable securities market regulations in jurisdictions of incorporation and listing''.

SUMMARY DIFFERENCES BETWEEN INDIAN GAAP AND IFRS

The statutory consolidated financial statements of the Group as at and for the years ended 31 December 2009, 2008 and 2007 are prepared in accordance with IFRS, as adopted by the EU. The Group's statutory consolidated financial statements also comply with the relevant provisions of the UK Companies Act and Article 4 of the International Accounting Standards Regulation ("IAS Regulation").

IFRS differs in certain significant respects from Indian GAAP. Such differences involve methods for measuring the amounts shown in the financial statements of the Company, as well as additional disclosures required by Indian GAAP.

Set out below are descriptions of certain accounting differences between IFRS and Indian GAAP that could have a significant effect on profit attributable to parent company shareholders for the year ended 31 December 2009 and total parent company shareholders' equity as of 31 December 2009 as shown under IFRS in the consolidated financial statements as of and for the year ended 31 December 2009. This section does not provide a comprehensive analysis of such differences. In particular, this description considers only those Indian GAAP pronouncements for which adoption or application is required in financial statements for years and periods ended on or prior to 31 December 2009. The Company has not quantified the effect of differences between IFRS and Indian GAAP, nor prepared consolidated financial statements under Indian GAAP, nor undertaken a reconciliation of IFRS and Indian GAAP financial statements. Had the Company undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences may have come to its attention which are not identified below.

Accordingly, the Company does not provide any assurance that the differences identified below represent all the principal differences between IFRS and Indian GAAP relating to the Company. Furthermore, no attempt has been made to identify future differences between IFRS and Indian GAAP. Finally, no attempt has been made to identify all differences between IFRS and Indian GAAP that may affect the financial statements as a result of transactions or events that may occur in the future.

In making an investment decision, investors must rely upon their own examinations of the Company, the terms of the offering and the Group's financial statements. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and Indian GAAP and how those differences may have affected the financial information in the section titled "*Audited Historical Financial Statements*" on page 493 of this Red Herring Prospectus.

The summary does not purport to be complete and is subject and qualified in its entirety by reference to the pronouncements of the IASB, together with the pronouncements of the Indian accounting profession.

Changes in accounting policy

IFRS

- Changes in accounting policy are applied retrospectively. Comparatives are restated and the effect of period(s) not presented is adjusted against opening retained earnings of the earliest year presented. Policy changes made on the adoption of a new standard are made in accordance with that standard's transitional provisions.

Indian GAAP

- The cumulative amount of the change is included in the income statement for the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact needs to be disclosed.

Functional and presentation currency

IFRS

- Assets and liabilities are translated at the exchange rate at the balance sheet date when the financial statements are presented in a currency other than the functional currency. Income statement items are translated at the exchange rate at the date of transaction or at average rates. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group is US$.

Indian GAAP

- There is no concept of functional or presentation currency. Entities in India have to prepare their financial statements in Rs.

Consolidation

IFRS

- Entities are consolidated when the Group has the power to govern the financial and operating policies so as to obtain benefits. Control is presumed to exist when the Group owns more than one half of an entity's voting power. Currently exercisable voting rights should also be taken into consideration when determining whether control exists.

Indian GAAP

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

Consolidation of Special Purpose Vehicles

IFRS

- Under the SIC Interpretation 12, an SPE should be consolidated when the substance of the relationship between an enterprise and the SPE indicates that the SPE is controlled by that entity. The definition of an SPE includes employee share trusts.

Indian GAAP

- No specific guidance. Employee share trusts are not consolidated.

Business combinations

IFRS

- All business combinations are treated as acquisitions. Assets, liabilities and contingent liabilities acquired are measured at their fair values. Pooling of interest method is prohibited.
- For acquisitions occurring on or after 1 January 2004, IFRS 3 'Business Combinations' requires that, when assessing the value of the assets of an acquired entity, certain identifiable intangible assets must be recognised and, if considered to have a finite life, amortised through the income statement over an appropriate period. As the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, no intangible assets, other than goodwill, were recognised on acquisitions prior to that date.
- Adjustments to provisional fair values are permitted provided those adjustments are made within 12 months from the date of acquisition, with a corresponding adjustment to goodwill.
- After re-assessment of respective fair values of net assets acquired, any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised immediately in the income statement.
- Where less than 100% of an entity is acquired, the minority interest is stated at its proportion of the fair value of the identifiable net assets and contingent liabilities acquired.

Indian GAAP

- Treatment of a business combination depends on whether the acquired entity is held as a subsidiary, whether it is an amalgamation, or whether it is an acquisition of a business.
- For an entity acquired and held as a subsidiary, the business combination is accounted for as an acquisition. The assets and liabilities acquired are incorporated at their existing carrying amounts.
- For an amalgamation of an entity, either pooling of interests or acquisition accounting may be used. The assets and liabilities amalgamated are incorporated at their existing carrying amounts or, alternatively, if acquisition accounting is adopted, the consideration can be allocated to individual identifiable assets (which may include intangible assets) and liabilities on the basis of their fair values.
- For an acquisition of a business, the acquired assets and liabilities may be incorporated at their fair values or value of surrendered assets.

- Adjustments to the value of acquired or amalgamated balances are not permitted after initial recognition.
- Any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised as capital reserve, which is neither amortised nor available for distribution to shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation.
- Minority interests arising on the acquisition of a subsidiary are recognised at their share of the historical book value.

Goodwill

IFRS

- IFRS 3 requires that goodwill arising on all acquisitions by the Group and associated undertakings is capitalised but not amortised and is subject to an annual review for impairment. Under the transitional provisions of IFRS 1, the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, the date of transition to IFRS. Accordingly, goodwill previously written off to reserves, as permitted under UK GAAP until the implementation of IFRS 10 'Goodwill and intangible assets' in 1998, has not been reinstated nor will it be written back on disposal.
- Amortisation of goodwill that has been charged up to 31 December 2003 has not been reversed and the deemed carrying value of the goodwill on transition to IFRS is equal to the net book value as at 31 December 2003.
- Goodwill is tested annually for impairment. Any impairment losses recognised may not be reversed in subsequent accounting periods.

Indian GAAP

- Goodwill arising for amalgamations is capitalised and amortised over useful life not exceeding five years, unless a longer period can be justified.
- For goodwill arising on acquisition of a subsidiary or a business, there is no specific guidance – in practice there is either no amortisation or amortisation not exceeding 10 years.
- Goodwill is reviewed for impairment whenever an indicator of impairment exists. Impairment losses recognised may be reversed in subsequent accounting periods through the income statement.

Acquired and internally generated intangible assets

IFRS

- Intangible assets are recognised if the specific criteria are met. Assets with a finite useful life are amortised on a systematic basis over their useful life. An asset with an indefinite useful life and which is not yet available for use should be tested for impairment annually.

Indian GAAP

- Intangible assets are capitalised if specific criteria are met and are amortised over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortised over a period exceeding 10 years should be reviewed at least at each financial year-end even if there is no indication that the asset is impaired.

Property, plant and equipment

IFRS

- Fixed assets are recorded at cost or revalued amounts. Under the transition rules of IFRS 1, the Group elected to freeze the value of all its properties held for its own use at their 1 January 2004 valuations, their 'deemed cost' under IFRS. They will not be revalued in the future.
- Foreign exchange gains or losses relating to the procurement of property, plant and equipment, under very restrictive conditions, can be capitalised as part of the asset.
- Depreciation is recorded over the asset's estimated useful life. The residual value and the useful life of an asset and the depreciation method shall be reviewed at least at each financial year-end.

- The Group has the option to capitalise borrowing costs incurred during the period that the asset is getting ready for its intended use.

Indian GAAP

- Fixed assets are recorded at historical costs or revalued amounts.
- Relevant borrowing costs are capitalised if certain criteria are met.
- Depreciation is recorded over the asset's useful life. Schedule XIV of the Indian Companies Act and Banking Regulations prescribe minimum rates of depreciation and these are typically used as the basis for determining useful life.

Recognition and measurement of financial instruments

IFRS

- IAS 39 requires all financial instruments to be initially measured at their fair value, which is usually the transaction price. In those cases where the initial fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised to the income statement until the inputs become observable, the transaction matures or is terminated.
- At the time of initial recognition, IAS 39 requires all financial assets to be classified as:
  - ○ held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss; or
  - ○ available for sale at fair value, with unrealised gains and losses reflected in shareholders' equity, and recycled to the income statement when the asset is sold or is impaired; or
  - ○ held-to-maturity at amortised cost, where there is the intent and the ability to hold them to maturity; or
  - ○ as loans and receivables at amortised cost.
- At the time of initial recognition, IAS 39 requires all financial liabilities to be classified as either:
  - ○ held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss; or
  - ○ at amortised cost.
- A financial asset or financial liability, other than one held for trading, can be designated as being held at fair value through profit or loss if it meets the criteria set out below:
  - ○ the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis;
  - ○ a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis; or
  - ○ assets or liabilities include embedded derivatives and such derivatives are not recognised separately.
- The designation of a financial instrument as held at fair value through profit or loss is irrevocable in respect of the financial instruments to which it relates.
- Reclassifications of financial assets, other than as disclosed below, or financial liabilities between categories are not permitted following initial recognition.
- Held for trading financial assets can be reclassified either 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 to the loans 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 loans and receivables at the time of reclassification and where the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.
- Available-for-sale financial assets can only be reclassified to the loans and receivables category, where they would have met the definition of loans and receivables at the time of reclassification and where the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

- Financial assets reclassified are done so at their fair value on the date of reclassification.
- Changes in the fair value of available-for-sale financial assets resulting from movements in foreign currency exchange rates are included in the income statement as exchange differences. Foreign currency exchange movements for available-for-sale equity securities is recognised in reserves.

Indian GAAP

- Investments are categorised as follows:
  - current investments, which are those readily realisable and intended to be held for less than one year, are carried at the lower of cost and fair value, with changes in fair value taken directly to profit or loss; and
  - long-term investments, which are those investments not classified as current, are carried at cost unless there is a permanent diminution in value, in which case a provision for diminution is required to be made by the entity.
- For investments, RBI regulations require similar classifications to IFRS, but the classification criteria and measurement requirements differ from those set out in IFRS.
- Financial liabilities are usually carried at cost.
- There is no ability to designate instruments at fair value.

Measurement of derivative instruments and hedging activities

IFRS

- IAS 39 requires that all derivatives be recognised on balance sheet at fair value. Changes in the fair value of derivatives that are not hedges are reported in the income statement. Changes in the fair value of derivatives that are designated as hedges are either offset against the change in fair value of the hedged asset or liability through earnings or recognised directly in equity until the hedged item is recognised in earnings, depending on the nature of the hedge. The ineffective portion of the hedge's change in fair value is immediately recognised in earnings. A derivative may only be classified as a hedge if an entity meets stringent qualifying criteria in respect of documentation and hedge effectiveness.
- IAS 39 requires the separation of derivatives embedded in a financial instrument if it is not deemed to be closely related to the economic characteristics of the underlying host instrument.

Indian GAAP

- Only certain derivatives are recognised on the balance sheet. Foreign exchange contracts held for trading or speculative purposes are carried at fair value, with gains and losses recognised in the income statement. Otherwise, the premium or discount is amortised over the life of the contract and the exchange difference is recognised in income when the exchange rate changes.
- Equity options are carried at the lower of cost or market value.
- There is no specific guidance on hedge accounting.

Impairment of financial assets

IFRS

- At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment.

  Assets held at amortised cost
- If objective evidence of impairment exists, an assessment is made to determine what, if any, impairment loss should be recognised. The impairment loss is the difference between the asset's carrying amount and its estimated recoverable amount.
- The recoverable amount is determined based on the present value of expected future cash flows, discounted at the instrument's original effective interest rate, either individually or collectively. Individually assessed assets for which there is no objective evidence of impairment are collectively assessed for impairment.

Available-for-sale assets

- If objective evidence of impairment exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognised impairment) is removed from equity and recognised in the income statement.

- Market recoveries leading to a reversal of an impairment provision for available-for-sale debt securities are recognised in the income statement. Impairment losses for equity instruments classified as available-for-sale are not permitted to be reversed through profit or loss.

Indian GAAP

- Long-term investments are written down when there is a decline in fair value which is deemed to be other than temporary. Impairments may be reversed through the income statement in subsequent periods if the investment rises in value, or the reasons for the impairment no longer exist.

Derecognition of financial assets

IFRS

- A financial asset is derecognised if substantially all the risks and rewards of ownership have been transferred. If substantially all the risks and rewards have not been transferred, the asset will continue to be recognised to the extent of any continuing involvement.

Indian GAAP

- There is limited guidance on the derecognition of financial assets. Securitised financial assets can only be derecognised if the originator has surrendered control over the assets. Control is not surrendered where the securitised assets are not beyond the reach of the creditors of the originator or where the transferee does not have the right to pledge, sell, transfer or exchange the securitised asset for its own benefit, or where there is an option which entitles the originator to repurchase the financial assets transferred under a securitisation transaction from the transferee.

Liabilities and equity

IFRS

- A financial instrument is classified as a liability where there is a contractual obligation to deliver either cash or another financial asset to the holder of that instrument, regardless of the manner in which the contractual obligation will be settled.

- Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Indian GAAP

- Classification is based on the legal form rather than substance.

- All preference shares are disclosed separately as share capital under shareholders' funds.

Provisions for liabilities and charges

IFRS

- The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, discounted using a pre-tax market discount rate if the effect is material.

Indian GAAP

- Provisions are recognised and measured on a similar basis to IFRS, except that discounting is not permitted.

Pension obligations

IFRS

- IAS 19 'Employee Benefits' requires defined benefit pension liabilities to be assessed on the basis of current actuarial valuations performed on each plan, and pension assets to be measured at fair value. The net pension surplus or deficit, representing the difference between plan assets and liabilities, is recognised on the balance sheet.
- The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations.
- Under the transitional provisions of IFRS 1 'First time adoption of International Financial Reporting Standards' and in accordance with IAS 19, the Group elected to record all actuarial gains and losses on the pension surplus or deficit in the year in which they occur within the 'Consolidated statement of recognised income and expense'.

Indian GAAP

- The liability for defined benefit plans is determined on a similar basis to IFRS.
- The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on government bonds.
- Actuarial gains or losses are recognised immediately in the statement of income.

Share-based compensation

IFRS

- IFRS 2 'Share-based payment' requires that all share-based payments are accounted for using a fair value method.
- The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For equity-settled awards, the total amount to be expensed over the vesting period must be determined by reference to the fair value of the options granted (determined using an option pricing model), excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions must be included in assumptions about the number of options that are expected to become exercisable.
- At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.
- Cash-settled awards must be revalued at each balance sheet date on an intrinsic value basis (being the difference between the market price of the share at the measurement date and the exercise price) with any changes in fair value charged or credited to staff costs in the income statement.
- Deferred tax is recognised based on the intrinsic value of the award and is recorded in the income statement if the tax deduction is less than or equal to the cumulative share-based compensation expense or equity if the tax deduction exceeds the cumulative expense.

Indian GAAP

- Entities may either follow the intrinsic value method or the fair value method for determining the costs of benefits arising from share-based compensation plans. Although the fair value approach is recommended, entities may use the intrinsic value method and provide fair value disclosures.
- Deferred tax is not recognised as it is not considered to represent a timing difference.

Deferred Taxation

IFRS

- Deferred tax is determined based on temporary differences, being the difference between the carrying amount and tax base of assets and liabilities, subject to certain exceptions.
- Deferred tax assets are recognised if it is probable (more likely than not) that sufficient future taxable profits will be available to utilise to deferred tax assets.

Indian GAAP

- Deferred tax is determined based on timing differences, being the difference between accounting income and taxable income for a period that is capable of reversal in one or more subsequent periods.
- Deferred tax assets recognised only if virtually certain with entities with tax losses carried forward or if reasonably certain with entities with no tax losses.

Interest income and expense

IFRS

- Interest income and expense is recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Indian GAAP

- In the absence of a specific effective interest rate requirement, premiums and discounts are usually amortised on a straight line basis over the term of the instrument.

Dividends

IFRS

- Dividends to holders of equity instruments, when proposed or declared after the balance sheet date, should not be recognised as a liability on the balance sheet date. A company however is required to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue.

Indian GAAP

- Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.

AUDITOR'S REPORT FOR THE IDR ISSUE AND FINANCIAL INFORMATION

The following is the full text of a report prepared for the purpose of incorporation in this Red Herring Prospectus received from the independent reporting accountants of the Company, KPMG Audit Plc, Chartered Accountants, United Kingdom. As described in the chapter entitled "**Material Contracts and Documents For Inspection**" in this Red Herring Prospectus, a copy of the accountants' report is available for inspection.

The Directors
Standard Chartered PLC
1 Basinghall Avenue
London EC2V 5DD

10 May 2010

Dear Sirs

We set out below our report on the Compilation and Translation (as defined hereinafter in this report) in relation to the Financial Information (as defined hereinafter in this report) relating to Standard Chartered PLC (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), in the Selected Financial Information below, extracted from the audited, consolidated income statement, consolidated statement of recognised income and expense / consolidated statement of comprehensive income and the consolidated cash flow statements of the Group along with all relevant schedules and related notes for each of the years ended 31 December 2007, 2008 and 2009 (the "**Relevant Years**") and the consolidated balance sheet of the Group as at 31 December 2007, 2008 and 2009 (together, the "**Annual Financial Statements**"), and including the Capitalisation Statement of the Group as required under clause 12 in Part A of Schedule XIX to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, and the amendments thereto (the "**ICDR Regulations**"). The financial information, as required under sub-clause (d), (e), and (f) of clause 14 in Part A of the **ICDR Regulations**, extracted and/or computed from the Annual Financial Statements set out in tabular form in pages 482 to 492 is referred to herein as the **"Financial Information"**. The Compilation and Translation has been prepared for inclusion in the Red Herring Prospectus of the Company dated 10 May 2010 (the "**RHP**") and for the intended inclusion in the subsequent prospectus (to be dated after the Issue has closed and IDR price per share has been finalised), in connection with the proposed issue of Indian Depository Receipts ("**IDRs**") by the Company (the "**Issue**").

This report is given for the sole purpose of complying with Paragraph 6 of the Schedule to the Companies (Issue of Indian Depository Receipt) Rules, 2004 and amendments thereto (the "**Rules**") having regard to sub-clause (d), (e) and (f) of Clause 14 in Part A of Schedule XIX to the ICDR Regulations and for no other purpose.

As a company incorporated in the United Kingdom and listed on the London Stock Exchange, the Company prepares Annual Financial Statements and Interim Financial Statements in accordance with applicable laws and International Financial Reporting Standards (the "**IFRS**") as adopted by the European Union.

KPMG Audit Plc is the Company's auditor appointed under the UK Companies Act 1985 for the financial years ended 31 December 2007 and 2008 and the UK Companies Act 2006 for the financial year ended 31 December 2009 to audit the Company's consolidated financial statements for the Relevant Years.

Responsibility

The directors of the Company are responsible for:

(i) compiling Financial Information in a tabular form, in compliance with the Rules and Guidelines, from Annual Financial Statements for the Relevant Years, on pages 482 to 492 for illustrative purposes only and to provide information for the Issue (the "**Compilation**"); and

(ii) presenting in compliance with the Rules and Guidelines the Financial Information for the Relevant Years in Indian Rupees by performing an arithmetic conversion at a stated constant exchange rate (the "**Translation**").

It is our responsibility to provide an independent report on the Compilation and Translation conducted as set forth above.

In providing this report we are not updating or refreshing any report or opinion previously issued by us on any financial information used in the Compilation or Translation.

Basis:

We compared the Financial Information of the Group with the Annual Financial Statements for the Relevant Years.

We reperformed the calculation of the following totals and ratios based on information disclosed in the Annual Financial Statements of the Group for the Relevant Years:

- Debt securities in issue (with less than or up to one year residual maturity)
- Subordinated liabilities and other borrowings (with less than or up to one year residual maturity)
- Total short term borrowings
- Debt securities in issue (with more than one year residual maturity)
- Subordinated liabilities and other borrowings (with more than one year residual maturity)
- Total long term borrowings
- Total borrowings
- Debt/Equity ratio
- Long term debt/Equity ratio

In addition, we reperformed the calculation of the conversion of the Financial Information of the Group for the Relevant Years into Indian Rupees at the stated constant exchange rate of INR 44.56: USD 1.

Report:

On the basis of the procedures set out above, we report that,

(a) the Financial Information of the Group referred to above has been accurately extracted from the Annual Financial Statements for the Relevant Years, as applicable;

(b) the following totals and ratios have been accurately calculated on the bases set out in the Capitalisation Statement:

  - Debt securities in issue (with less than or up to one year residual maturity)
  - Subordinated liabilities and other borrowings (with less than or up to one year residual maturity)
  - Total short term borrowings
  - Debt securities in issue (with more than one year residual maturity)
  - Subordinated liabilities and other borrowings (with more than one year residual maturity)
  - Total long term borrowings
  - Total borrowings
  - Debt/Equity ratio
  - Long term debt/Equity ratio

(c) the calculation of the conversion of the Financial Information of the Group for the Relevant Years into Indian Rupees at the stated constant exchange rate set forth above is arithmetically accurate.

KPMG Audit Plc
Chartered Accountants
United Kingdom

Annexure:

Financial Information (based on Annual Financial Statements prepared in accordance with applicable law and International Financial Reporting Standards (the "**IFRS**") as adopted by the European Union.

SELECTED FINANCIAL INFORMATION

The selected historical financial information in relation to the Company in this section has been extracted without material adjustment, except as noted in the footnotes below, from the Consolidated Financial Statements in the Annual Reports and Accounts 2007, 2008 and 2009 in respect of the years ending 31 December 2007, 2008 and 2009 respectively.

The audited consolidated financial statements of the Company as of and for the years ended 31 December 2009, 2008 and 2007 included in this Red Herring Prospectus have been extracted from the Company's Annual Reports and Accounts 2009, 2008 and 2007, respectively. These Annual Reports and Accounts, as well as the Company's stock exchange announcements, can be found at http://investors.standardchartered.com.

The consolidated annual financial statements have been audited by KPMG Audit Plc, independent auditors.

Consolidated Income Statement

	FY2009 $million	FY2008[1] $million	FY2007 $million
Interest income	12,926	16,378	16,176
Interest expense	(5,303)	(8,991)	(9,911)
Net interest income	7,623	7,387	6,265
Fees and commission income	3,824	3,420	3,189
Fees and commission expense	(454)	(479)	(528)
Net trading income	2,890	2,405	1,261
Other operating income	1301	1,235	880
Non-interest income	7,561	6,581	4,802
Operating income	15,184	13,968	11,067
Staff costs	(4,912)	(4,737)	(3,949)
Premises costs	(698)	(738)	(592)
General administrative expenses	(1,822)	(1,711)	(1,329)
Depreciation and amortisation	(520)	(425)	(345)
Operating expenses	(7,952)	(7,611)	(6,215)
Operating profit before impairment losses and taxation	7,232	6,357	4,852
Impairment losses on loans and advances and other credit risk provisions	(2,000)	(1,321)	(761)
Other impairment	(102)	(469)	(57)
Profit from associates	21	1	1
Profit before taxation	5,151	4,568	4,035
Taxation	(1,674)	(1,224)	(1,046)
Profit for the year	3,477	3,344	2,989
Profit attributable to:			
Minority interests	97	103	148
Parent company shareholders	3,380	3,241	2,841
Profit for the year	3,477	3,344	2,989
Earnings per share:			
Basic earnings per ordinary share (cents)	167.9	192.1	176.0
Diluted earnings per ordinary share (cents)	165.3	191.1	174.2

1 Amounts have been restated following the early adoption of an amendment to IAS 32 Financial Instruments: Presentation, which has reclassified the $233 million gain and associated tax of $66 million in respect of the rights issue option into equity.

Consolidated Income Statement

	FY2009 *Rs million*	*FY2008*[1] *Rs million*	*FY2007* *Rs million*
Interest income	575,983	729,804	720,803
Interest expense	(236,302)	(400,639)	(441,634)
Net interest income	339,681	329,165	279,168
Fees and commission income	170,397	152,395	142,102
Fees and commission expense	(20,230)	(21,344)	(23,528)
Net trading income	128,778	107,167	56,190
Other operating income	57,973	55,032	39,213
Non-interest income	336,918	293,249	213,977
Operating income	676,599	622,414	493,146
Staff costs	(218,879)	(211,081)	(175,967)
Premises costs	(31,103)	(32,885)	(26,380)
General administrative expenses	(81,188)	(76,242)	(59,220)
Depreciation and amortisation	(23,171)	(18,938)	(15,373)
Operating expenses	(354,341)	(339,146)	(276,940)
Operating profit before impairment losses and taxation	322,258	283,268	216,205
Impairment losses on loans and advances and other credit risk provisions	(89,120)	(58,864)	(33,910)
Other impairment	(4,545)	(20,899)	(2,540)
Profit from associates	936	45	45
Operating profit	229,529	203,550	179,800
Rights issue option	—	—	—
Profit before taxation	229,529	203,550	179,800
Taxation	(74,593)	(54,541)	(46,610)
Profit for the year	154,935	149,009	133,190
Profit attributable to:			
Minority interests	4,322	4,590	6,595
Parent company shareholders	150,613	144,419	126,595
Profit for the year	154,935	149,009	133,190
Earnings per share:			
Basic earnings per ordinary share (Rs)	74.82	85.60	78.43
Diluted earnings per ordinary share (Rs)	73.66	85.15	77.62

1 Amounts have been restated following the early adoption of an amendment ot IAS 32 Financial Instruments: Presentation, which has reclassified the Rs.10,382 million gain and associated tax of Rs.2,941 million in respect of the rights issue option into equity.

Consolidated statement of comprehensive income

	FY 2009 US$million	*FY 2008[1] US$million*	*FY 2007 US$million*
Profit for the year	3,477	3,344	2,989
Other comprehensive income:			
Exchange differences on translation of foreign operations			
Net gains/(losses) taken to equity	600	(2,794)	415
Income on repatriation of branch capital	—	—	(109)
Actuarial losses on retirement benefits	(150)	(229)	237
Share of other comprehensive income from associates	19	—	—
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity	455	(738)	675
Reclassified to income	(580)	(198)	(252)
Cash flow hedges:	—		
Net gains/(losses) taken to equity	14	(176)	57
Reclassified to income	106	(18)	(58)
Taxation relating to components of other comprehensive income	62	218	(99)
Other comprehensive income for the year, net of taxation	526	(3,935)	866
Total comprehensive income for the year	**4,003**	**(591)**	**3,855**
Attributable to:			
Minority interests	111	(3)	196
Parent company shareholders	3,892	(588)	3,659
	4,003	**(591)**	**3,855**

1 Amounts have been restated following the early adoption of an amendment ot IAS 32 Financial Instruments: Presentation, which has reclassified the $233 million gain and associated tax of $66 million in respect of the rights issue option into equity.

Consolidated statement of comprehensive income

	FY 2009 *Rs million*	*FY 2008*[1] *Rs million*	*FY 2007* *Rs million*
Profit for the year	154,935	149,009	133,190
Other comprehensive income:			
Exchange differences on translation of foreign operations			
Net gains/(losses) taken to equity	26,736	(124,501)	18,492
Income on repatriation of branch capital	—	—	(4,857)
Actuarial losses on retirement benefits	(6,684)	(10,204)	10,561
Share of other comprehensive income from associates	847	—	—
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity	20,275	(32,885)	30,078
Reclassified to income	(25,845)	(8,823)	(11,229)
Cash flow hedges:			
Net gains/(losses) taken to equity	624	(7,843)	2,540
Reclassified to income	4,723	(802)	(2,584)
Taxation relating to components of other comprehensive income	2,763	9,714	(4,411)
Other comprehensive income for the year, net of taxation	23,439	(175,344)	38,589
Total comprehensive income for the year	**178,374**	**(26,335)**	**171,779**
Attributable to:			
Minority interests	4,946	(134)	8,734
Parent company shareholders	173,428	(26,201)	163,045
	178,374	**(26,335)**	**171,779**

1 Amounts have been restated following the early adoption of an amendment ot IAS 32 Financial Instruments: Presentation, which has reclassified the Rs.10,382 million gain and associated tax of Rs.2,941 million in respect of the rights issue option into equity.

Consolidated Balance Sheet

	FY2009 *US$million*	*FY2008* *US$million*	*FY2007*[1] *US$million*
Assets			
Cash and balances at central banks	18,131	24,161	10,175
Financial assets held at fair value through profit or loss	22,446	15,425	22,958
Derivative financial instruments	38,193	69,657	26,204
Loans and advances to banks	50,885	46,583	35,365
Loans and advances to customers	198,292	174,178	154,266
Investment securities	75,728	69,342	55,274
Other assets	17,201	20,374	11,011
Current tax assets	203	764	633
Prepayments and accrued income	3,241	3,466	3,857
Interests in associates	514	511	269
Goodwill and intangible assets	6,620	6,361	6,374
Property, plant and equipment	4,103	3,586	2,892
Deferred tax assets	1096	660	593
Total assets	436,653	435,068	329,871
Liabilities			
Deposits by banks	38,461	31,909	25,880
Customer accounts	251,244	234,008	179,760
Financial liabilities held at fair value through profit or loss	14,505	15,478	14,250
Derivative financial instruments	36,584	67,775	26,270
Debt securities in issue	29,272	23,447	27,137
Other liabilities	16,139	17,363	14,742
Current tax liabilities	802	512	818
Accruals and deferred income	4,113	4,132	3,429
Subordinated liabilities and other borrowed funds	16,730	16,986	15,740
Deferred tax liabilities	193	176	33
Provisions for liabilities and charges	184	140	38
Retirement benefit obligations	506	447	322
Total liabilities	408,733	412,373	308,419
Equity			
Share capital	1,013	948	705
Reserves	26,327	21,192	20,146
Total parent company shareholders' equity	27,340	22,140	20,851
Minority interests	580	555	601
Total equity	27,920	22,695	21,452
Total equity and liabilities	436,653	435,068	329,871

1 Amounts have been restated as explained in note 53 of the Annual Report of Financial Year 2008.

Consolidated Balance Sheet

	FY2009 *Rs million*	*FY2008* *Rs million*	*FY2007*[1] *Rs million*
Assets			
Cash and balances at central banks	807,917	1,076,614	453,398
Financial assets held at fair value through profit or loss	1,000,194	687,338	1,023,008
Derivative financial instruments	1,701,880	3,103,916	1,167,650
Loans and advances to banks	2,267,436	2,075,738	1,575,864
Loans and advances to customers	8,835,892	7,761,372	6,874,093
Investment securities	3,374,440	3,089,880	2,463,009
Other assets	766,477	907,865	490,650
Current tax assets	9,046	34,044	28,206
Prepayments and accrued income	144,419	154,445	171,868
Interests in associates	22,904	22,770	11,987
Goodwill and intangible assets	294,987	283,446	284,025
Property, plant and equipment	182,830	159,792	128,868
Deferred tax assets	48,838	29,410	26,424
Total assets	19,457,258	19,386,630	14,699,052
Liabilities			
Deposits by banks	1,713,822	1,421,865	1,153,213
Customer accounts	11,195,433	10,427,396	8,010,106
Financial liabilities held at fair value through profit or loss	646,343	689,700	634,980
Derivative financial instruments	1,630,183	3,020,054	1,170,591
Debt securities in issue	1,304,360	1,044,798	1,209,225
Other liabilities	719,154	773,695	656,904
Current tax liabilities	35,737	22,815	36,450
Accruals and deferred income	183,275	184,122	152,796
Subordinated liabilities and other borrowed funds	745,489	756,896	701,374
Deferred tax liabilities	8,600	7,843	1,470
Provisions for liabilities and charges	8,199	6,238	1,693
Retirement benefit obligations	22,547	19,918	14,348
Total liabilities	18,213,142	18,375,341	13,743,151
Equity			
Share capital	45,139	42,243	31,415
Reserves	1,173,131	944,316	897,706
Total parent company shareholders' equity	1,218,270	986,558	929,121
Minority interests	25,845	24,731	26,781
Total equity	1,244,115	1,011,289	955,901
Total equity and liabilities	19,457,258	19,386,630	14,699,052

1 Amounts have been restated as explained in note 53 of the Annual Report of Financial Year 2008.

Consolidated statement of changes in equity

	Share capital $million	*Share premium account $million*	*Capital reserve and capital redemption reserve[1] $million*	*Merger reserve $million*	*Available-for-sale reserve $million*	*Cash flow hedge reserve $million*	*Translation reserve $million*	*Retained earnings $million*	*Parent Company Share holders' Equity $million*	*Minority interests $million*	*Total $million*
At 1 January 2007	692	3,865	18	3,149	410	51	678	7,990	16,853	542	17,395
Profit for the Year	—	—	—	—	—	—	—	2,841	2,841	148	2,989
Other comprehensive income	—	—	—	—	340	6	303	169	818	48	866
Distributions	—	—	—	—	—	—	—	—	—	(120)	(120)
Shares issued, net of expenses	5	856	—	—	—	—	—	—	861	—	861
Net own shares adjustment	—	—	—	—	—	—	—	24	24	—	24
Share option expense and related taxation	—	—	—	—	—	—	—	55	55	—	55
Capitalised on scrip dividend	8	(8)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(601)	(601)	—	(601)
Arising on Acquisitions									—	3	3
Other increases/(Reductions)	—	—	—	—	—	—	—	—	—	(20)	(20)
At 31 December 2007	705	4,713	18	3,149	750	57	981	10,478	20,851	601	21,452
Profit for the Year	—	—	—	—	—	—	—	3,408	3,408	103	3,511
Other comprehensive income	—	—	—	—	(755)	(140)	(2,765)	(169)[3]	(3,829)	(106)	(3,935)
Distributions	—	—	—	—	—	—	—	—	—	(147)	(147)
Shares issued, net of expenses	237	36	—	2,468	—	—	—	—	2,741	—	2,741
Rights issue option, net of tax	—	—	—	(167)	—	—	—	—	(167)	—	(167)
Net own shares adjustment	—	—	—	—	—	—	—	(67)	(67)	—	(67)
Share option expense and related taxation	—	—	—	—	—	—	—	128	128	—	128
Capitalised on scrip dividend	6	(6)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(925)	(925)	—	(925)
Other increases/(Reductions)	—	—	—	—	—	—	—	—	—	104	104
At 31 December 2008	948	4,743	18	5,450	(5)	(83)	(1,784)	12,853	22,140	555	22,695
Restatement[2]	—	—	—	167	—	—	—	(167)	—	—	—
At 31 December 2008 as restated	948	4,743	18	5,617	(5)	(83)	(1,784)	12,686	22,140	555	22,695
Profit for the Year	—	—	—	—	—	—	—	3,380	3,380	97	3,477
Other comprehensive income	—	—	—	—	(88)	98	599	(97)[4]	512	14	526
Distributions	—	—	—	—	—	—	—	—	—	(87)	(87)
Shares issued, net of expenses	44	106	—	1,667	—	—	—	—	1,817	—	1,817
Net own shares adjustment	—	—	—	—	—	—	—	(81)	(81)	—	(81)
Share option expense and related taxation	—	—	—	—	—	—	—	311	311	—	311
Capitalised on scrip dividend	21	(21)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(739)	(739)	—	(739)
Other increases/(Reductions)	—	—	—	—	—	—	—	—	—	1	1
At 31 December 2009	1,013	4,828	18	7,284	(93)	15	(1,185)	15,460	27,340	580	27,920

1 Includes capital reserve of $5 million and capital redemption reserve of $13 million at 1 January 2008, 31 December 2008 and 2009.

2 Amounts have been restated following the early adoption of an amendment to IAS 32 Financial Instruments: Presentation, which has reclassified the $233 million gain and associated tax of $66 million in respect of the rights issue option into equity.

3 Comprises actuarial losses, net of taxation.

4 Comprises actuarial losses, net of taxation and minority interests of $116 million, share of comprehensive income from associates of $19 million.

Consolidated statement of changes in equity

	Share capital Rs million	Share premium account Rs million	Capital reserve and Capital redemption reserve[1] Rs million	Merger reserve Rs million	Available-for-sale reserve Rs million	Cash flow hedge reserve Rs million	Translation reserve Rs million	Retained earnings Rs million	Parent Company Share holders' Equity Rs million	Minority interests Rs million	Total Rs million
At 1 January 2007	30,836	172,224	802	140,319	18,270	2,273	30,212	356,034	750,970	24,152	775,121
Profit for the Year	—	—	—	—	—	—	—	126,595	126,595	6,595	133,190
Other comprehensive income	—	—	—	—	15,150	267	13,502	7,531	36,450	2,139	38,589
Distributions	—	—	—	—	—	—	—	—	—	(5,347)	(5,347)
Shares issued, net of expenses	223	38,143	—	—	—	—	—	—	38,366	—	38,366
Net own shares adjustment	—	—	—	—	—	—	—	1,069	1,069	—	1,069
Share option expense and related taxation	—	—	—	—	—	—	—	2,451	2,451	—	2,451
Capitalised on scrip dividend	356	(356)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(26,781)	(26,781)	—	(26,781)
Arising on Acquisitions	—	—	—	—	—	—	—	—	—	134	134
Other increases / (Reductions)	—	—	—	—	—	—	—	—	—	(891)	(891)
At 31 December 2007	31,415	210,011	802	140,319	33,420	2,540	43,713	466,900	929,121	26,781	955,901
Profit for the Year	—	—	—	—	—	—	—	151,860	151,860	4,590	156,450
Other comprehensive income	—	—	—	—	(33,643)	(6,238)	(123,208)	(7,531)[3]	(170,620)	(4,723)	(175,344)
Distributions	—	—	—	—	—	—	—	—	—	(6,550)	(6,550)
Shares issued, net of expenses	10,561	1,604	—	109,974	—	—	—	—	122,139	—	122,139
Rights issue option, net of tax	—	—	—	(7,442)	—	—	—	—	(7,442)	—	(7,442)
Net own shares adjustment	—	—	—	—	—	—	—	(2,986)	(2,986)	—	(2,986)
Share option expense and related taxation	—	—	—	—	—	—	—	5,704	5,704	—	5,704
Capitalised on scrip dividend	267	(267)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(41,218)	(41,218)	—	(41,218)
Other increases / (Reductions)	—	—	—	—	—	—	—	—	—	4,634	4,634
At 31 December 2008	42,243	211,348	802	242,852	(223)	(3,698)	(79,495)	572,730	986,558	24,731	1,011,289
Restatement[2]	—	—	—	7,442	—	—	—	(7,442)	—	—	—
At 31 December 2008 as restated	42,243	211,348	802	250,294	(223)	(3,698)	(79,495)	565,288	986,558	24,731	1,011,289
Profit for the Year	—	—	—	—	—	—	—	150,613	150,613	4,322	154,935
Other comprehensive income	—	—	—	—	(3,921)	4,367	26,691	(4,322)[4]	22,815	624	23,439
Distributions	—	—	—	—	—	—	—	—	—	(3,877)	(3,877)
Shares issued, net of expenses	1,961	4,273	—	74,282	—	—	—	—	80,966	—	80,966
Net own shares adjustment	—	—	—	—	—	—	—	(3,609)	(3,609)	—	(3,609)
Share option expense and related taxation	—	—	—	—	—	—	—	13,858	13,858	—	13,858
Capitalised on scrip dividend	936	(936)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(32,930)	(32,930)	—	(32,930)
Other increases / (Reductions)	—	—	—	—	—	—	—	—	—	45	45
At 31 December 2009	45,139	215,136	802	324,575	(4,144)	668	(52,804)	688,898	1,218,270	25,845	1,244,115

1 Includes capital reserve of Rs.223 million and capital redemption reserve of Rs.579 million at 1 January 2008, 31 December 2008 and 2009.

2 Amounts have been restated following the early adoption of an amendment ot IAS 32 Financial Instruments: Presentation, which has reclassified the Rs.10,382 million gain and associated tax of Rs.2,941 million in respect of the rights issue option into equity.

3 Comprises actuarial losses, net of taxation.

4 Comprises actuarial losses, net of taxation and minority interests of Rs.5,169 million, share of comprehensive income from associates of Rs.847 million.

Cash Flow Statement

	FY 2009 US$million	*FY 2008[1] US$million*	*FY 2007[2] US$million*
Cash flows from operating activities			
Profit before taxation	5,151	4,568	4,035
Adjustments for:			
Non-cash items included within income statement	1,385	1,995	1,259
Change in operating assets	2,962	-88,103	(38,199)
Change in operating liabilities	(11,219)	105,913	53,102
Contributions to defined benefit schemes	(124)	(95)	16
UK and overseas taxes paid, net of refunds	(1,210)	(1,400)	(1,097)
Net cash (used in)/from operating activities	(3,055)	22,878	19,116
Net cash flows from investing activities			
Purchase of property, plant and equipment	(261)	(579)	(471)
Disposal of property, plant and equipment	218	73	22
Acquisition of investment in subsidiaries, net of cash acquired	(68)	6,209	(85)
Disposal of investment in subsidiaries	—	159	—
Purchase of investment securities	(129,739)	(109,938)	(78,292)
Disposal and maturity of investment securities	126,678	97,756	74,457
Dividends received from investment in associates	11	—	—
Net cash used in investing activities	(3,161)	(6,320)	(4,369)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	1,817	2,753	861
Purchase of own shares	(103)	(76)	(15)
Exercise of share options through ESOP	22	9	39
Interest paid on subordinated liabilities	(361)	(718)	(737)
Gross proceeds from issue of subordinated liabilities	2,063	3,667	3,051
Repayment of subordinated liabilities	(2,440)	(1,436)	(505)
Dividends paid to minority interests and preference shareholders net of scrip	(188)	(257)	(148)
Dividends paid to ordinary shareholders net of scrip	(638)	(815)	(573)
Net cash (used in)/from financing activities	172	3,127	1,973
Net (decrease)/increase in cash and cash equivalents	(6,044)	19,685	16,720
Cash and cash equivalents at beginning of the period	73,699	55,338	38,161
Effect of exchange rate movements on cash and cash equivalents	418	(1,324)	457
Cash and cash equivalents at end of the period	68,073	73,699	55,338

1 Amounts have been restated as explained in note 50 of the Annual Report of Financial Year 2009.
2 Amounts have been restated as explained in note 53 of the Annual Report of Financial Year 2008.

Cash Flow Statement

	FY 2009 *Rs million*	*FY 2008*[1] *Rs million*	*FY 2007*[2] *Rs million*
Cash flows from operating activities			
Profit before taxation	229,529	203,550	179,800
Adjustments for:			
Non-cash items included within income statement	61,716	88,897	56,101
Change in operating assets	131,987	(3,925,870)	(1,702,147)
Change in operating liabilities	(499,919)	4,719,483	2,366,225
Contributions to defined benefit schemes	(5,525)	(4,233)	713
UK and overseas taxes paid, net of refunds	(53,918)	(62,384)	(48,882)
Net cash (used in)/from operating activities	(136,131)	1,019,444	851,809
Net cash flows from investing activities			
Purchase of property, plant and equipment	(11,630)	(25,800)	(20,988)
Disposal of property, plant and equipment	9,714	3,253	980
Acquisition of investment in subsidiaries, net of cash acquired	(3,030)	276,673	(3,788)
Disposal of investment in subsidiaries	—	7,085	—
Purchase of investment securities	(5,781,170)	(4,898,837)	(3,488,692)
Disposal and maturity of investment securities	5,644,772	4,356,007	3,317,804
Dividends received from investment in associates	490	—	—
Net cash used in investing activities	(140,854)	(281,619)	(194,683)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	80,966	122,674	38,366
Purchase of own shares	(4,590)	(3,387)	(668)
Exercise of share options through ESOP	980	401	1,738
Interest paid on subordinated liabilities	(16,086)	(31,994)	(32,841)
Gross proceeds from issue of subordinated liabilities	91,927	163,402	135,953
Repayment of subordinated liabilities	(108,726)	(63,988)	(22,503)
Dividends paid to minority interests and preference shareholders net of scrip	(8,377)	(11,452)	(6,595)
Dividends paid to ordinary shareholders net of scrip	(28,429)	(36,316)	(25,533)
Net cash (used in)/from financing activities	7,664	139,339	87,917
Net (decrease)/increase in cash and cash equivalents	(269,321)	877,164	745,043
Cash and cash equivalents at beginning of the period	3,284,027	2,465,861	1,700,454
Effect of exchange rate movements on cash and cash equivalents	18,626	(58,997)	20,364
Cash and cash equivalents at end of the period	3,033,333	3,284,027	2,465,861

1 Amounts have been restated as explained in note 50 of the Annual Report of Financial Year 2009.
2 Amounts have been restated as explained in note 53 of the Annual Report of Financial Year 2008.

Capitalisation and indebtedness

The following table sets out the consolidated capitalisation of the Group as at 31 December 2009, 31 December 2008 and 31 December 2007.

	31-Dec-09		*31-Dec-08*		*31-Dec-07*	
	US$m	*Rs m*	*US$m*	*Rs m*	*US$m*	*Rs m*
Borrowings						
Short term (with less or upto one year residual maturity)						
Debt securities in issue	20,524	936,510	18,369	838,177	22,601	1,031,284
Sub debt and other borrowings	723	32,990	2,149	98,059	502	22,906
Total short term borrowings	21,247	969,501	20,518	936,236	23,103	1,054,190
Long term (with more than one year residual maturity)						
Debt securities in issue	12,735	581,098	8,700	396,981	9,552	435,858
Sub debt and other borrowings	16,007	730,399	14,837	677,012	15,238	695,310
Total long term borrowings	28,742	1,311,497	23,537	1,073,993	24,790	1,131,168
Total borrowings	**49,989**	**2,280,998**	**44,055**	**2,010,230**	**47,893**	**2,185,358**
Equity						
Share Capital	1013	46,223	948	43,257	705	32,169
Reserves	26,327	1,201,301	21,192	966,991	20,146	919,262
Total equity	**27,340**	**1,247,524**	**22,140**	**1,010,248**	**20,851**	**951,431**
Debt/Equity	1.8	1.8	2.0	2.0	2.3	2.3
Long term debt/ Equity	1.1	1.1	1.1	1.1	1.2	1.2

Notes

The residual maturity details are extracted from Note 46 of Annual report 2009 and Note 49 of Annual Report 2008.

AUDITED HISTORICAL FINANCIAL STATEMENTS

The financial information in this section is set out as follows:

The audited consolidated financial statements of the Company as of and for the years ended 31 December 2009, 2008 and 2007 included in this Red Herring Prospectus have been extracted from the Company's Annual Reports and Accounts 2009, 2008 and 2007, respectively. These Annual Reports and Accounts, as well as the Company's stock exchange announcements, can be found at http://investors.standardchartered.com.

AUDITED FINANCIAL INFORMATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. 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 judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU
- 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 adequate accounting records that are sufficient to show and explain the parent Company's transactions and 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 2006. 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 Corporate governance statement that complies 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
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 2010

Independent Auditor's report to the members of Standard Chartered PLC

We have audited the financial statements of the Group (Standard Chartered PLC and its subsidiaries) and Company (Standard Chartered PLC) (together referred to as the financial statements) for the year ended 31 December 2009 as set out on pages 112 to 196 of the Annual Report 2009. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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 auditors

As explained more fully in the Directors' responsibilities statement set out on page 110 of the Annual Report 2009, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2009 and of the Group s profit for the year then ended
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006
- the information given in the Directors' report, which include 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, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate governance section set out on pages 82 to 93 of the Annual Report 2009 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns
- certain disclosures of directors' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit; or
- a Corporate governance statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Report of the directors set out on page 76 to 81 of the Annual Report 2009, in relation to going concern; and
- the part of the Corporate governance section on pages 82 to 93 of the Annual Report 2009 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

M StJ Ashley (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London
3 March 2010

Consolidated Income Statement

	Notes	2009 $million	2008[1] $million
Interest income	3	12,926	16,378
Interest expense	4	(5,303)	(8,991)
Net interest income		7,623	7,387
Fees and commission income	5	3,824	3,420
Fees and commission expense	5	(454)	(479)
Net trading income	6	2,890	2,405
Other operating income	7	1,301	1,235
Non-interest income		7,561	6,581
Operating income		15,184	13,968
Staff costs	8	(4,912)	(4,737)
Premises costs	8	(698)	(738)
General administrative expenses	8	(1,822)	(1,711)
Depreciation and amortisation	9	(520)	(425)
Operating expenses		(7,952)	(7,611)
Operating profit before impairment losses and taxation		7,232	6,357
Impairment losses on loans and advances and other credit risk provisions	20	(2,000)	(1,321)
Other impairment	10	(102)	(469)
Profit from associates		21	1
Profit before taxation		5,151	4,568
Taxation	11	(1,674)	(1,224)
Profit for the year		3,477	3,344
Profit attributable to:			
Minority interests	38	97	103
Parent company shareholders		3,380	3,241
Profit for the year		3,477	3,344
Earnings per share:			
Basic earnings per ordinary share (cents)	13	167.9	192.1
Diluted earnings per ordinary share (cents)	13	165.3	191.1

1 Amounts have been restated as explained in note 50.

The notes on pages 119 to 196 of the Annual Report 2009 form an integral part of these financial statements.

Consolidated statement of comprehensive income

	Notes	2009 $million	2008[1] $million
Profit for the year		3,477	3,344
Other comprehensive income:			
Exchange differences on translation of foreign operations:			
Net gains/(losses) taken to equity		600	(2,794)
Actuarial losses on retirement benefit obligations	36	(150)	(229)
Share of other comprehensive income from associates		19	—
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity		455	(738)
Reclassified to income		(580)	(198)
Cash flow hedges:			
Net gains/(losses) taken to equity		14	(176)
Reclassified to income		106	(18)
Taxation relating to components of other comprehensive income	11	62	218
Other comprehensive income for the year, net of taxation		526	(3,935)
Total comprehensive income for the year		4,003	(591)
Attributable to:			
Minority interests	38	111	(3)
Parent Company shareholders		3,892	(588)
		4,003	(591)

1 Amounts have been restated as explained in note 50.

The notes on pages 119 to 196 of the Annual Report 2009 form an integral part of these financial statements.

Consolidated Balance Sheet

	Notes	2009 $million	2008 $million
Assets			
Cash and balances at central banks	14, 41	18,131	24,161
Financial assets held at fair value through profit or loss	14, 15	22,446	15,425
Derivative financial instruments	14, 16	38,193	69,657
Loans and advances to banks	14, 17, 20	50,885	46,583
Loans and advances to customers	14, 18, 20	198,292	174,178
Investment securities	14, 22	75,728	69,342
Other assets	14, 23	17,201	20,374
Current tax assets		203	764
Prepayments and accrued income		3,241	3,466
Interests in associates	24	514	511
Goodwill and intangible assets	26	6,620	6,361
Property, plant and equipment	27	4,103	3,586
Deferred tax assets	28	1,096	660
Total assets		436,653	435,068
Liabilities			
Deposits by banks	14, 29	38,461	31,909
Customer accounts	14, 30	251,244	234,008
Financial liabilities held at fair value through profit or loss	14, 15	14,505	15,478
Derivative financial instruments	14, 16	36,584	67,775
Debt securities in issue	14, 31	29,272	23,447
Other liabilities	14, 33	16,139	17,363
Current tax liabilities		802	512
Accruals and deferred income		4,113	4,132
Subordinated liabilities and other borrowed funds	14, 34	16,730	16,986
Deferred tax liabilities	28	193	176
Provisions for liabilities and charges	35	184	140
Retirement benefit obligations	36	506	447
Total liabilities		408,733	412,373
Equity			
Share capital	37	1,013	948
Reserves		26,327	21,192
Total parent company shareholders' equity		27,340	22,140
Minority interests	38	580	555
Total equity		27,920	22,695
Total equity and liabilities		436,653	435,068

The notes on pages 119 to 196 of the Annual Report 2009 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Share capital $million	Share premium account $million	Capital and capital redemption reserve[1] $million	Merger reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders equity $million	Minority interests $million	Total $million
At 1 January 2008	705	4,713	18	3,149	750	57	981	10,478	20,851	601	21,452
Profit for the year	—	—	—	—	—	—	—	3,408	3,408	103	3,511
Other comprehensive income	—	—	—	—	(755)	(140)	(2,765)	(169)[3]	(3,829)	(106)	(3,935)
Distributions	—	—	—	—	—	—	—	—	—	(147)	(147)
Shares issued, net of expenses	237	36	—	2,468	—	—	—	—	2,741	—	2,741
Rights issue option (net of tax)	—	—	—	(167)	—	—	—	—	(167)	—	(167)
Net own shares adjustment	—	—	—	—	—	—	—	(67)	(67)	—	(67)
Share option expense, net of taxation	—	—	—	—	—	—	—	128	128	—	128
Capitalised on scrip dividend	6	(6)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(925)	(925)	—	(925)
Other increases	—	—	—	—	—	—	—	—	—	104	104
At 31 December 2008 as previously stated	948	4,743	18	5,450	(5)	(83)	(1,784)	12,853	22,140	555	22,695
Restatement[2]	—	—	—	167	—	—	—	(167)	—	—	—
At 31 December 2008 as restated	948	4,743	18	5,617	(5)	(83)	(1,784)	12,686	22,140	555	22,695
Profit for the year	—	—	—	—	—	—	—	3,380	3,380	97	3,477
Other comprehensive income	—	—	—	—	(88)	98	599	(97)[4]	512	14	526
Distributions	—	—	—	—	—	—	—	—	—	(87)	(87)
Shares issued, net of expenses	44	106	—	1,667	—	—	—	—	1,817	—	1,817
Net own shares adjustment	—	—	—	—	—	—	—	(81)	(81)	—	(81)
Share option expense, net of taxation	—	—	—	—	—	—	—	311	311	—	311
Capitalised on scrip dividend	21	(21)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip	—	—	—	—	—	—	—	(739)	(739)	—	(739)
Other increases	—	—	—	—	—	—	—	—	—	1	1
At 31 December 2009	1,013	4,828	18	7,284	(93)	15	(1,185)	15,460	27,340	580	27,920

1 Includes capital reserve of $5 million and capital redemption reserve of $13 million at 1 January 2008, 31 December 2008 and 2009.

2 Amounts have been restated as explained in note 50.

3 Comprises actuarial losses, net of taxation.

4 Comprises actuarial losses, net of taxation and minority interests of $116 million, share of comprehensive income from associates of $19 million.

Cash Flow Statement

	Notes	Group 2009 $million	Group 2008[1] $million	Company 2009 $million	Company 2008[1] $million
Cash flows from operating activities					
Profit before taxation		5,151	4,568	373	2,243
Adjustments for:					
Non-cash items included within income statement	40	1,385	1,995	(228)	(2,080)
Change in operating assets	40	2,962	(88,103)	(227)	62
Change in operating liabilities	40	(11,219)	105,913	3,703	1,295
Contributions to defined benefit schemes		(124)	(95)	—	—
UK and overseas taxes (paid)/refunded		(1,210)	(1,400)	(25)	2
Net cash (used in)/from operating activities		(3,055)	22,878	3,596	1,522
Net cash flows from investing activities					
Purchase of property, plant and equipment		(261)	(579)	—	—
Disposal of property, plant and equipment		218	73	—	—
Acquisition of investment in subsidiaries, net of cash acquired		(68)	6,209	(2,500)	—
Disposal of investment in subsidiaries		—	159	—	—
Purchase of investment securities		(129,739)	(109,938)	(1,800)	(925)
Disposal and maturity of investment securities		126,678	97,756	—	—
Dividends received from subsidiaries and associates		11	—	331	1,880
Net cash (used in)/from investing activities		(3,161)	(6,320)	(3,969)	955
Net cash flows from financing activities					
Issue of ordinary and preference share capital, net of expenses		1,817	2,753	1,817	2,753
Purchase of own shares		(103)	(76)	(103)	(76)
Exercise of share options through ESOP		22	9	22	9
Interest paid on subordinated liabilities		(361)	(718)	(129)	(185)
Gross proceeds from issue of subordinated liabilities		2,063	3,667	—	960
Repayment of subordinated liabilities		(2,440)	(1,436)	—	(640)
Dividends paid to minority interests and preference shareholders		(188)	(257)	(101)	(110)
Dividends paid to ordinary shareholders, net of scrip		(638)	(815)	(638)	(815)
Net cash from financing activities		172	3,127	868	1,896
Net (decrease)/increase in cash and cash equivalents		(6,044)	19,685	495	4,373
Cash and cash equivalents at beginning of year		73,699	55,338	5,303	930
Effect of exchange rate movements on cash and cash equivalents		418	(1,324)	—	—
Cash and cash equivalents at end of year	41	68,073	73,699	5,798	5,303

1 Amounts have been restated as explained in note 50.

The notes on pages 119 to 196 of the Annual Report 2009 form an integral part of these financial statements.

Company balance sheet

	Notes	2009 $million	2008 $million
Non-current assets			
Investments in subsidiary undertakings	24	12,906	10,406
Current assets			
Derivative financial instruments	14, 16	291	—
Debt securities	14, 22	2,725	925
Amounts owed by subsidiary undertakings		5,798	5,303
Taxation		38	54
Other assets	23	—	64
		8,852	6,346
Current liabilities			
Derivative financial instruments	14, 16	25	26
Other creditors		229	79
Deferred income	51	18	40
		272	145
Net current assets		8,580	6,201
Total assets less current liabilities		21,486	16,607
Non-current liabilities			
Subordinated liabilities and other borrowed funds	14, 34	1,751	1,736
Debt securities in issue	14, 31	4,770	1,372
Deferred income	51	91	231
		6,612	3,339
Total assets less liabilities		14,874	13,268
Equity			
Share capital	37	1,013	948
Reserves		13,861	12,320
Total equity		14,874	13,268

The notes on pages 119 to 196 of the Annual Report 2009 form an integral part of these financial statements.

Company statement of changes in equity

	Share capital $million	*Share premium account $million*	*Capital and capital redemption reserve[1] $million*	*Merger reserve $million*	*Retained earnings $million*	*Total $million*
At 1 January 2008	705	4,713	18	3,149	661	9,246
Profit for the year	—	—	—	—	2,282	2,282
Shares issued, net of expenses	237	36	—	2,468	—	2,741
Rights issue option (net of tax)	—	—	—	(167)	—	(167)
Net own shares adjustment	—	—	—	—	(67)	(67)
Share option expense	—	—	—	—	158	158
Capitalised on scrip dividend	6	(6)	—	—	—	—
Dividends, net of scrip	—	—	—	—	(925)	(925)
At 31 December 2008 as previously stated	948	4,743	18	5,450	2,109	13,268
Restatement[2]	—	—	—	167	(167)	—
At 31 December 2008 as restated	948	4,743	18	5,617	1,942	13,268
Profit for the year	—	—	—	—	333	333
Shares issued, net of expenses	44	106	—	1,667	—	1,817
Net own shares adjustment	—	—	—	—	(81)	(81)
Share option expense	—	—	—	—	276	276
Capitalised on scrip dividend	21	(21)	—	—	—	—
Dividends, net of scrip	—	—	—	—	(739)	(739)
At 31 December 2009	1,013	4,828	18	7,284	1,731	14,874

1 Includes capital reserve of $5 million and capital redemption reserve of $13 million at 1 January 2008, 31 December 2008 and 2009.
2 Amounts have been restated as explained in note 50.

The notes on pages 119 to 196 of the Annual Report 2009 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

Statement of compliance

The Group financial statements consolidate those of Standard Chartered PLC (the Company) and its subsidiaries (together referred to as the Group), equity account the Group's interest in associates and proportionately consolidate interests in jointly controlled entities. The 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 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

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 44 to 67 and Capital on pages 68 to 71 of the 2009 Annual Report*, except where indicated as not audited and in the notes to the financial statements.

New accounting standards adopted

On 1 January 2009 the Group and Company retrospectively adopted IAS 1 Presentation of Financial Statements (revised 2007). As a result, in the Group's financial statements certain terminology has changed and a statement of changes in equity has been included as a primary statement.

On 1 January 2009 the Group retrospectively adopted IFRS 8 Operating Segments which did not have a material impact on the Group's financial statements. The Group's reportable segments, as disclosed in note 2, continue to be Consumer Banking and Wholesale Banking. In addition, the Group continues to provide entity-wide geographic financial information.

On 1 January 2009 the Group and Company retrospectively adopted IFRIC 13 Customer Loyalty Programmes, IFRIC 16 Hedges of a Net Investment in a Foreign Operation, amendments to IFRS 2 Share Based Payment: Vesting Conditions and Cancellations, IAS 23 (revised) Borrowing Costs and an amendment to IAS 32 Financial Instruments: Presentation, none of which had a material impact on the the financial statements.

On 1 January 2009 the Group and Company prospectively adopted an amendment to IAS 27 Consolidated and Separate Financial Statements in respect of cost of investment in a subsidiary, jointly controlled entity or associate, which did not have a material impact on the the financial statements.

On 1 January 2009 the Group and Company prospectively adopted amendments to IFRS 7 Financial Instruments: Disclosures, and the required disclosures are presented in notes 14 and 46 to these financial statements. Where permitted, comparatives have not been provided.

On 1 January 2009, the Group and Company adopted Improvements to IFRSs (2008), a collection of amendments to a number of IFRSs. The amendments to IAS 19, IAS 20, IAS 28, IAS 31, IAS 32, and IAS 40 were applied on a prospective basis and the amendments to IAS 1, IAS 7, IAS 16, IAS 19, IAS 23, IAS 27, IAS 29, IAS 36, IAS 38 and IAS 39 were applied on a retrospective basis. None of these amendments has had a material impact on the Group's financial statements. However, the amendment to IAS 7 resulted in a reclassification in the cash flow statement of cash flows between investing and operating activities. Further details are provided in note 50.

On 31 December 2009 the Group and Company adopted, on a retrospective basis, the amendment to IAS 32 Financial Instruments: Presentation in advance of its effective date. This amendment permits a fixed for fixed rights issue denominated in a currency other than the Company's functional currency to be accounted for within equity rather than creating a derivative liability. The impact has been to reclassify the $233 million gain and associated tax of $66 million recognised in the income statement

* This information forms part of the Notes to the Accounts and is disclosed on pages 109 to 113, 149 to 164 and 168 to 179 of this Red Herring Prospectus. Pages 109 to 113, 149 to 164 and 168 to 179 of this Red Herring Prospectus also include information which is not audited and a full set of audited financial statements can be obtained from www.standardchartered.com.

in respect of the rights issue option in the 2008 annual accounts into equity in these financial statements.

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 cash settled share based payments and 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 the 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. 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 and losses on transactions between Group companies are eliminated in the Group accounts.

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% and 50% 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 other comprehensive income 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 and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

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, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, 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
- 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 other comprehensive income. 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, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'. Goodwill included in intangible assets 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. Cash generating units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These are smaller than the Group's reportable segments (as set out in note 2) as the Group views its reportable segments on a global basis. Note 26 sets out the major cash generating units to which goodwill has been allocated.

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 (4 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.

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 cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months maturity from the date of acquisition, including: 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 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 funded 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. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation. 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 other comprehensive income 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 where applicable, 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. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation.

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. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to 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.

Borrowings held at amortised cost

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 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 into the following measurement categories: a) financial assets held at fair value through to profit or loss; b) loans and receivables; c) 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.

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 and it is expected that substantiallyall of the initial investment will be recovered, other than because of credit deterioration.

(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.

Reclassifications

Reclassifications of financial assets, other than as set out 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: 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 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 at the date of reclassification 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 at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets must be 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 are reclassified 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 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.

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 held at fair value through profit or loss is recognised within net interest income.

Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time 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

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 counterparty is in default of principal or interest payments;
- a counterparty files for bankruptcy protection (or the local equivalent) where this would avoid or delay repayment of its obligation;
- the Group files to have the counterparty 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.

Assets carried at amortised cost

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 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, it is decided that there is no realistic probability of recovery 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 factors in assessing objective evidence of impairment for equity securities. Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised 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

Derivatives are categorised as trading unless they are designated as hedging instruments.

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: a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); b) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or c) hedges of the net investment of a foreign operation (net investment hedges). 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 hedging instruments 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 the income statement over the period to maturity or derecognition.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments 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.

(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 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, discounted at the instruments original effective interest rate. 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 or significant act performed. 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.

2. Segmental information

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

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

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

By class of business

	2009					*2008*				
	Consumer Banking	*Wholesale Banking*	*Total reportable segments*	*Corporate items not allocated*[3]	*Total*	*Consumer Banking*	*Wholesale Banking*	*Total reportable segments*	*Corporate items not allocated*[4]	*Total*
	$million	*$million*	*$million*	*$million*	*$million*	*$million*	*$million*	*$million*	*$million*	*$million*
Internal income	(55)	55	—	—	—	(78)	78	—	—	—
Net interest income	3,876	3,747	7,623	—	7,623	4,224	3,163	7,387	—	7,387
Other income	1,808	5,489	7,297	264	7,561	1,806	4,248	6,054	527	6,581
Operating income	5,629	9,291	14,920	264	15,184	5,952	7,489	13,441	527	13,968
Operating expenses	(3,709)	(4,185)	(7,894)	(58)	(7,952)	(3,843)	(3,768)	(7,611)	—	(7,611)
Operating profit before impairment losses and taxation	1,920	5,106	7,026	206	7,232	2,109	3,721	5,830	527	6,357
Impairment losses on loans and advances and other credit risk provisions	(1,052)	(948)	(2,000)	—	(2,000)	(937)	(384)	(1,321)	—	(1,321)
Other impairment	(1)	(82)	(83)	(19)	(102)	(56)	(336)	(392)	(77)	(469)
Profit from associates	—	—	—	21	21	—	—	—	1	1
Profit before taxation	867	4,076	4,943	208	5,151	1,116	3,001	4,117	451	4,568
Total assets employed[1]	103,534	331,306	434,840	1,813	436,653	86,402	346,731	433,133	1,935	435,068
Total liabilities employed	144,167	263,571	407,738	995	408,733	129,029	282,656	411,685	688	412,373
Other segment items:										
Capital expenditure[2]	160	901	1,061	—	1,061	375	1,207	1,582	—	1,582
Depreciation	161	151	312	—	312	157	93	250	—	250
Interests in associates[1]	—	—	—	514	514	—	—	—	511	511
Amortisation of intangible assets	71	137	208	—	208	93	82	175	—	175

1 Interests in associates at 31 December 2008 included $511 million previously allocated by business that has now been included in 'Corporate items not allocated.'
2 Includes capital expenditure in Wholesale Banking of $631 million in respect of operating lease assets (31 December 2008: $852 million).
3 Relates to gain on buy-back of subordinated debt, UK payroll tax, impairment of associates and the Group's share of profit from associates.
4 Relates to gain on buy-back of subordinated debt, disposal of businesses, impairment of associates and other strategic investments and the Group's share of profit from associates.

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

	2009 $million	2008 $million
Consumer Banking		
Cards, Personal Loans and Unsecured Lending	1,992	2,106
Wealth Management and Deposits	2,232	2,789
Mortgage and Auto Finance	1,244	928
Other	161	129
Total operating income by product	5,629	5,952
Wholesale Banking		
Lending and Portfolio Management	849	551
Transaction Banking	2,537	2,663
Global Markets		
Financial Markets	3,311	2,365
Asset and Liability Management (ALM)	963	912
Corporate Finance	1,294	745
Principal Finance	337	253
Total Global Markets	5,905	4,275
Total operating income by product	9,291	7,489

Entity-wide information

By geography

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

	2009								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe[2] $million	Total $million
Internal income	14	(18)	(62)	43	195	(42)	39	(169)	—
Net interest income	1,308	782	908	1,505	724	1,134	491	771	7,623
Fees and commissions income, net	542	291	187	502	546	494	320	488	3,370
Net trading income	456	357	322	502	259	356	221	417	2,890
Other operating income	50	180	199	336	89	136	18	293	1,301
Operating income	2,370	1,592	1,554	2,888	1,813	2,078	1,089	1,800	15,184
Operating expenses	(1,168)	(801)	(953)	(1,778)	(571)	(891)	(553)	(1,237)	(7,952)
Operating profit before impairment losses and taxation	1,202	791	601	1,110	1,242	1,187	536	563	7,232
Impairment losses on loans and advances and other credit risk provisions	(145)	(37)	(278)	(395)	(201)	(811)	(54)	(79)	(2,000)
Other impairment	10	(40)	(1)	26	19	(10)	—	(106)	(102)
(Loss)/profit from associates	(5)	—	—	29	—	—	—	(3)	21
Profit before taxation	1,062	714	322	770	1,060	366	482	375	5,151
Loans and advances to customers – average	29,194	25,938	32,372	38,972	8,351	18,972	3,316	31,336	188,451
Net interest margins (%)	1.8	1.7	1.8	2.3	3.8	3.7	4.8	1.0	2.3
Loans and advances to customers – period end	29,973	31,399	36,804	41,992	8,866	18,484	4,029	30,256	201,803
Loans and advances to banks – period end	19,453	5,085	2,780	7,232	511	1,864	300	15,708	52,933
Total assets employed[3]	91,739	62,137	63,222	83,191	31,719	44,275	13,633	91,149	481,065
Capital expenditure[4]	24	164	63	32	49	19	37	673	1,061

1 Other APR includes Malaysia: operating income of $488 million; operating expenses of $(207) million, impairment losses on loans and advances and other credit risk provisions of $(61) million and profit before taxation of $220 million. Total assets employed of $13,881 million.

2 Americas, UK & Europe includes operating income of $967 million and total assets employed of $76,541 million in respect of the UK, the Company's country of domicile.

3 Total assets employed includes intra-group items of $45,711 million and excludes tax assets of $1,299 million. Assets held at the centre have been distributed between geographic areas in proportion to their total assets employed.

4 Includes capital expenditure in Americas, UK & Europe of $631 million in respect of operating lease assets. Other 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.

	2008[5]								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe[2] $million	Total $million
Internal income	1	105	(109)	25	12	16	2	(52)	—
Net interest income	1,296	364	1,234	1,575	724	991	503	700	7,387
Fees and commissions income, net	507	246	183	501	450	452	227	375	2,941
Net trading income	357	359	162	701	298	182	167	179	2,405
Other operating income	94	243	77	158	210	17	11	425	1,235
Operating income	2,255	1,317	1,547	2,960	1,694	1,658	910	1,627	13,968
Operating expenses	(1,030)	(664)	(955)	(1,721)	(646)	(821)	(564)	(1,210)	(7,611)
Operating profit before impairment losses and taxation	1,225	653	592	1,239	1,048	837	346	417	6,357
Impairment releases on loans and advances and other credit risk provisions	(183)	(15)	(263)	(436)	(133)	(185)	(33)	(73)	(1,321)
Other impairment	(52)	(30)	—	(102)	(24)	—	—	(261)	(469)
(Loss)/profit from associates	(1)	—	—	4	—	—	—	(2)	1
Profit before taxation	989	608	329	705	891	652	313	81	4,568
Loans and advances to customers – average	26,610	19,610	34,867	40,116	8,612	16,041	3,091	29,970	178,917
Net interest margin (%)	2.1	1.3	2.3	2.4	3.5	3.7	4.5	1.1	2.5
Loans and advances to customers – period end	28,004	20,349	31,763	38,366	7,863	17,476	3,642	31,049	178,512
Loans and advances to banks – period end	18,963	9,283	1,594	5,201	291	1,504	587	10,523	47,946
Total assets employed[3]	77,627	51,246	64,350	82,193	32,269	34,364	12,104	130,723	484,876
Capital expenditure[4]	25	140	59	170	178	40	31	939	1,582

1 Other APR includes Malaysia: operating income of $530 million; operating expenses of $(212) million, impairment losses on loans and advances and other credit risk provisions of $(47) million, other impairment of $(21) million and profit before taxation of $250 million. Total assets employed of $13,557 million.

2 Americas, UK & Europe includes operating income of $849 million and total assets employed of $115,900 million in respect of the UK, the Company's country of domicile.

3 Total assets employed includes intra-group items of $51,232 million and excludes tax assets of $1,424 million. Assets held at the centre have been distributed between geographic areas in proportion to their total assets employed.

4 Includes capital expenditure in Americas, UK & Europe of $852 million in respect of operating lease assets. Other 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.

5 Restated as explained in note 50.

3. Interest income

	2009 $million	2008 $million
Balances at central banks	6	32
Treasury bills	656	835
Loans and advances to banks	755	1,382
Loans and advances to customers	9,370	11,397
Listed debt securities	885	1,147
Unlisted debt securities	1,196	1,545
Accrued on impaired assets (discount unwind)	58	40
	12,926	16,378

Total interest income from financial instruments held at amortised cost in 2009 is $8,195 million (2008: $10,124 million) and from financial instruments held as available-for-sale is $2,093 million (2008: $2,820 million).

4. Interest expense

	2009 *$million*	*2008* *$million*
Deposits by banks	854	1,268
Customer accounts:		
Interest bearing current accounts and savings deposits	785	1,009
Time deposits	2,394	4,328
Debt securities in issue	769	1,338
Subordinated liabilities and other borrowed funds:		
Wholly repayable within five years	37	389
Other	464	659
	5,303	8,991

Total interest expense on financial instruments held at amortised cost in 2009 is $4,065 million (2008: $7,405 million).

5. Fees and commissions

	2009 *$million*	*2008* *$million*
Fee income:		
Arising from financial instruments that are not fair valued through profit or loss	1,480	1,475
Arising from trust and other fiduciary activities	80	113
Other	2,264	1,832
	3,824	3,420
Fee expense:		
Arising from financial instruments that are not fair valued through profit or loss	142	261
Arising from trust and other fiduciary activities	15	21
Other	297	197
	454	479

6. Net trading income

	2009 $million	2008 $million
Gains less losses on instruments held for trading:		
Foreign currency[1]	1,830	2,596
Trading securities	329	238
Interest rate derivatives	576	(402)
Credit and other derivatives	35	(30)
	2,770	2,402
Gains less losses from fair value hedging:		
Gains less losses from fair value hedged items	454	(1,139)
Gains less losses from fair value hedged instruments	(462)	1,145
	(8)	6
Gains less losses on instruments designated at fair value:		
Financial assets designated at fair value through profit or loss	22	150
Financial liabilities designated at fair value through profit or loss	70	(118)
Derivatives managed with financial instruments designated at fair value through profit or loss	36	(35)
	128	(3)
	2,890	2,405

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

7. Other operating income

	2009 $million	2008 $million
Other operating income includes:		
Gains less losses on available-for-sale financial assets:		
On disposal	592	322
Writedowns on asset backed securities	(4)	(49)
Dividend income	109	203
Gains arising on repurchase of subordinated liabilities	264	384
Gains arising on assets fair valued at acquisition	43	80
Rental income from operating lease assets	156	67
Profit on sale of property, plant and equipment	40	10
Recognition of profit on Visa shares	—	17
(Loss)/profit on sale of businesses	(2)	146

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

	2009 $million	2008 $million
Staff costs:		
Wages and salaries	3,634	3,793
Social security costs	98	93
Other pension costs (note 36)	138	172
Share based payment costs (note 39)	375	121
Other staff costs	667	558
	4,912	4,737
Premises and equipment expenses:		
Rental of premises	338	337
Other premises and equipment costs	341	376
Rental of computers and equipment	19	25
	698	738
General administrative expenses	1,822	1,711

The following tables summarise the number of employees within the Group as at 31 December 2009 and 31 December 2008 respectively.

	2009			
	Consumer Banking	*Wholesale Banking*	*Support Services*	*Total*
Period end	47,522	17,379	12,425	77,326
Average for the period	47,789	16,612	13,196	77,597

	2008[1]			
	Consumer Banking	*Wholesale Banking*	*Support Services*	*Total*
Period end	50,660	15,950	13,947	80,557
Average for the period	51,048	14,672	14,330	80,050

1 The period end number of employees for 2008 has been restated to primarily the inclusion of fixed-term contract workers as employees in line with the definition under the Companies Act 2006.

The Company employed nil staff at 31 December 2009 (2008: nil) and it incurred costs of $3 million (2008: $3 million).

Directors' emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the Directors' remuneration report on pages 94 to 109 of the 2009 Annual Report. Transactions with directors, officers and other related parties are disclosed in the related parties note 51.

Auditor's remuneration

Auditor's remuneration in relation to the Group statutory audit amounts to $4.1 million (2008: $5.0 million). The following fees were payable by the Group to their principal auditor, KPMG Audit Plc and its associates (together KPMG):

	2009 $million	2008 $million
Audit fees for the Group statutory audit:		
Fees relating to the current year	4.1	5.0
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	9.1	9.9
Fees relating to prior year	—	0.8
Total audit and audit related fees	13.2	15.7
Other services pursuant to legislation	3.4	2.8
Tax services	1.6	1.3
Services relating to information technology	—	0.1
Services relating to corporate finance transactions	0.3	1.4
All other services	1.2	3.3
Total fees payable	19.7	24.6

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. In 2008 this included $1.3 million in respect of the rights issue
- 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 (2008: $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

	2009 $million	*2008 $million*
Premises	119	98
Equipment	193	152
Intangibles:		
Software	139	94
Acquired on business combinations	69	81
	520	425

10. Other impairment

	2009 $million	*2008 $million*
Impairment losses on available-for-sale financial assets	123	417
Impairment of investment in associates	19	46
Other	17	6
	159	469
Recovery of impairment on disposal of equity instruments	(57)	—
	102	469

Impairment losses on available-for-sale financial assets includes $49 million (2008: $315 million) in relation to impairment of equity investments, $66 million (2008: $41 million) impairment on asset backed securities, and $8 million (2008: $61 million) on other debt securities. Recoveries of impairments of $57 million during 2009 are in respect of private and strategic equity investments sold during 2009 which had impairment provisions raised against them during 2008.

11. Taxation

Analysis of taxation charge in the year:

	2009 $million	*2008 $million*
The charge for taxation based upon the profits for the year comprises:		
Current tax:		
United Kingdom corporation tax at 28% (2008: 28.5%):		
Current tax on income for the year	893	708
Adjustments in respect of prior periods (including double taxation relief)	398	(135)
Double taxation relief	(623)	(602)
Foreign tax:		
Current tax on income for the year	1,309	1,221
Adjustments in respect of prior periods	48	(117)
	2,025	1,075
Deferred tax:		
Origination/reversal of temporary differences	(192)	89
Adjustments in respect of prior periods	(159)	60
	(351)	149
Tax on profits on ordinary activities	1,674	1,224
Effective tax rate	32.5%	26.8%

1 Amounts have been restated as explained in note 50.

Foreign taxation includes taxation on Hong Kong profits of $151 million (2008: $156 million) provided at a rate of 16.5% (2008: 16.5%) on the profits assessable in Hong Kong. During 2008, the UK corporation tax rate was reduced from 30% to 28%, which gave a blended 28.5% tax rate for 2008.

The taxation charge for the year is higher than the standard rate of corporation tax in the UK, 28%. The differences are explained below:

	2009 $million	2008[1] $million
Profit on ordinary activities before taxation	5,151	4,568
Tax at 28% (2008: 28.5%)	1,442	1,302
Effects of:		
Tax free income	(179)	(117)
Lower tax rates on overseas earnings	(119)	(130)
Higher tax rates on overseas earnings	216	207
Adjustments to tax charge in respect of previous periods[2]	287	(192)
Other items	27	154
Tax on profits on ordinary activities	1,674	1,224

1 Amounts have been restated as explained in note 50.

2 Adjustments to the tax charge in respect of previous periods includes a $192 million (2008 : $nil million) one-off charge resulting from a collaborative exercise with the UK tax authority, HM Revenue and Customs, to settle the UK tax position relating to the period from 1990 to 2006.

	2009			2008		
	Current tax $million	Deferred tax $million	Total $million	Current tax $million	Deferred tax $million	Total $million
Tax recognised in other comprehensive income						
Available-for-sale assets	52	(6)	46	97	7	104
Cash flow hedges	—	(21)	(21)	—	54	54
Retirement benefit obligations	—	37	37	—	60	60
Other	(22)	22	—	—	—	—
	30	32	62	97	121	218
Other tax recognised in equity						
Share based payments	—	35	35	16	(46)	(30)
	—	35	35	16	(46)	(30)
Total tax credit recognised in equity	30	67	97	113	75	188

12. Dividends

Ordinary equity shares	*2009* Cents per share	*2009* Cents $million	*2008* Cents per share	*2008* $million
Final dividend declared and paid during the period	42.32	801	42.27	793
Interim dividend declared and paid during the period	21.23	425	19.30[1]	364
	63.55	1,226	61.57	1,157

1 The interim dividend declared in August 2008 was 25.67 cents per share. This has been restated on a post-rights issue basis and 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 declared for 2007 on a pre-rights issue basis was 79.35 cents per share and on a post-rights issue basis was 59.65 cents per share.

Preference shares		*2009* *$million*	*2008* *$million*
Non-cumulative irredeemable preference shares:	$7^3/_8$ % preference shares of £1 each[2]	11	15
	$8^1/_4$ % preference shares of £1 each[2]	13	16
Non-cumulative redeemable preference shares:	8.125% preference shares of $5 each[2]	75	32
	7.014% preference shares of $5 each	53	62
	6.409% preference shares of $5 each	48	48

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

Dividends on ordinary equity and those preference shares classified as equity are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2009 final ordinary equity share dividend of 44.80 cents per share ($904 million) will be paid in either pounds sterling, Hong Kong dollars or US dollars on 13 May 2010 to shareholders on the UK register of members at the close of business in the UK on 12 March 2010, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 12 March 2010. 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.

13. Earnings per ordinary share

	2009 Profit[1] $million	*2009* Weighted average number of shares[3] ('000)	*2009* Per share amount cents	*2008* Profit[1,4] $million	*2008* Weighted average number of shares ('000)	*2008* Per share amount[4] cents
Basic earnings per ordinary share	3,279	1,952,377	167.9	3,131	1,629,633	192.1
Effect of dilutive potential ordinary shares:						
Options[2]	—	31,632	—	—	8,622	—
Diluted earnings per ordinary share	3,279	1,984,009	165.3	3,131	1,638,255	191.1

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.

	2009 $million	2008 $million
Profit attributable to ordinary shareholders	3,279	3,131[4]
Amortisation of intangible assets arising on business combinations	69	81
Profit on sale of property, plant and equipment[5]	—	(10)
Gains arising on repurchase of subordinated liabilities	(264)	(384)
Loss/(profit) on sale of businesses	2	(146)
Loss on PEM Group structured notes	170	—
Pre-incorporation costs of Korean principal holding company	5	—
UK bank payroll tax	58	—
Day one loss on strategic investment	—	3
Impairment of associates and other strategic investments	19	77
One-off settlement with the UK tax authority (note 11)[6]	190	—
Tax on normalised items	(17)	98
Normalised earnings	3,511	2,850
Normalised basic earnings per ordinary share (cents)	179.8	174.9
Normalised diluted earnings per ordinary share (cents)	177.0	174.0

1 The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after minority interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 12).

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

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

4 Amounts have been restated as explained in note 50.

5 In 2009, the Group has prospectively re-evaluated its definition of normalised earnings and as a consequence profits or losses on sale of Consumer Banking branches are no longer considered to be normalising items as they relate to an ongoing programme of branch renovation and relocation and as a consequence are considered part of normal business operations.

6 This amount represents $192 million one-off tax settlement with the UK tax authority, net of post tax interest income on tax receivables $2 million.

14. Financial instruments

Classification

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

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

	Assets at fair value				Assets at amortised cost			
Assets	*Trading $million*	*Derivatives held for hedging $million*	*Designated at fair value through profit or loss $million*	*Available-for-sale $million*	*Loans and receivables $million*	*Held-to-maturity $million*	*Non-financial assets $million*	*Total $million*
Cash and balances at central banks	—	—	—	—	18,131	—	—	18,131
Financial assets held at fair value through profit or loss								
Loans and advances to banks	1,947	—	101	—	—	—	—	2,048
Loans and advances to customers	3,373	—	138	—	—	—	—	3,511
Treasury bills and other eligible bills	5,319	—	240	—	—	—	—	5,559
Debt securities	9,941	—	170	—	—	—	—	10,111
Equity shares	633	—	584	—	—	—	—	1,217
	21,213	—	1,233	—	—	—	—	22,446
Derivative financial instruments	36,858	1,335	—	—	—	—	—	38,193
Loans and advances to banks	—	—	—	—	50,885	—	—	50,885
Loans and advances to customers	—	—	—	—	198,292	—	—	198,292
Investment securities								
Treasury bills and other eligible bills	—	—	—	18,958	—	—	—	18,958
Debt securities	—	—	—	48,433	6,657	31	—	55,121
Equity shares	—	—	—	1,649	—	—	—	1,649
	—	—	—	69,040	6,657	31	—	75,728
Other assets	—	—	—	—	11,181	—	6,020	17,201
Total at 31 December 2009	58,071	1,335	1,233	69,040	285,146	31	6,020	420,876
Cash and balances at central banks	—	—	—	—	24,161	—	—	24,161
Financial assets held at fair value through profit or loss								
Loans and advances to banks	1,351	—	12	—	—	—	—	1,363
Loans and advances to customers	4,103	—	231	—	—	—	—	4,334
Treasury bills and other eligible bills	2,502	—	205	—	—	—	—	2,707
Debt securities	6,193	—	203	—	—	—	—	6,396
Equity shares	165	—	460	—	—	—	—	625
	14,314	—	1,111	—	—	—	—	15,425
Derivative financial instruments	68,166	1,491	—	—	—	—	—	69,657
Loans and advances to banks	—	—	—	—	46,583	—	—	46,583
Loans and advances to customers	—	—	—	—	174,178	—	—	174,178
Investment securities								
Treasury bills and other eligible bills	—	—	—	16,713	—	—	—	16,713
Debt securities	—	—	—	43,543	7,456	37	—	51,036
Equity shares	—	—	—	1,593	—	—	—	1,593
	—	—	—	61,849	7,456	37	—	69,342
Other assets	—	—	—	—	14,773	—	5,601	20,374
Total at 31 December 2008	82,480	1,491	1,111	61,849	267,151	37	5,601	419,720

The Company has investment in debt securities of $2,725 million (2008: $925 million) measured as loans and receivables and derivative financial assets of $291 million (2008: $nil million) held for hedging.

Liabilities	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss						
Deposits by banks	432	—	50	—	—	482
Customer accounts	1,886	—	3,616	—	—	5,502
Debt securities in issue	2,618	—	1,369	—	—	3,987
Short positions	4,534	—	—	—	—	4,534
	9,470	—	5,035	—	—	14,505
Derivative financial instruments	36,007	577	—	—	—	36,584
Deposits by banks	—	—	—	38,461	—	38,461
Customer accounts	—	—	—	251,244	—	251,244
Debt securities in issue	—	—	—	29,272	—	29,272
Other liabilities	—	—	—	8,513	7,626	16,139
Subordinated liabilities and other borrowed funds	—	—	—	16,730	—	16,730
Total at 31 December 2009	45,477	577	5,035	344,220	7,626	402,935
Financial liabilities held at fair value through profit or loss						
Deposits by banks[1]	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
Derivative financial instruments	67,212	563	—	—	—	67,775
Deposits by banks	—	—	—	31,909	—	31,909
Customer accounts	—	—	—	234,008	—	234,008
Debt securities in issue	—	—	—	23,447	—	23,447
Other liabilities	—	—	—	9,401	7,962	17,363
Subordinated liabilities and other borrowed funds	—	—	—	16,986	—	16,986
Total at 31 December 2008	77,771	563	4,919	315,751	7,962	406,966

1 Trading deposits by banks at 31 December 2008 included $3,093 million in respect of a repo transaction which was eligible for netting under IAS 32 with balances within trading loans and advances to customers. At 31 December 2009, the net balance of $63 million has been presented within trading loans to customers.

The Company has derivative financial liabilities of $25 million (2008: $26 million) held for hedging, debt securities in issue of $4,770 million (2008: $1,372 million) and subordinated liabilities and other borrowed funds of $1,751 million (2008: $1,736 million) measured at amortised cost.

Valuation of financial instruments

Instruments held at fair value

Valuation of financial assets and liabilities held at fair value are subject to a review independent of the business by Valuation Control. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices or market observable pricing inputs to valuation model, an assessment is made against external market data and consensus services. Financial instruments held at fair value in the balance sheet have been classified into a valuation hierarchy that reflects the significance of the inputs used in the fair value measurements.

Wherever possible, Valuation Control utilises multiple independent market data sources. Market data sources are assessed for relevance and reliability. A market data source is relevant and reliable if there is a high probability that a third party transaction can be executed based on this data. Market data reliability is assessed with respect to the following considerations:

1. methodology used by data provider to generate data (e.g. identity of contributors, basis of data collection/processing)
2. degree of activity in the market or extent of market coverage represented by the data source
3. integrity and reputation of the data provider
4. comparisons with other similar or alternative data sources and whether or not it is regarded within the range of acceptable quotes (on the basis of a current and historical consideration)

Where a range of market price sources are utilised, Valuation Control documents the process by which the average or consensus price is determined. If Valuation Control chooses to adopt a pricing hierarchy (a scheme in which prices from more reliable sources are used preferentially to prices less reliable), any prices not used are reviewed for a body of contradictory evidence. Valuation Control assesses all available market data before selecting the market data sources that will form the basis of the Price Testing process. Market data utilised by valuation control is independent of the Front Office. Market data that is not fully independent receives a zero or low weighting.

Control framework

A Product Valuation Control Committee exists for each business where there is a material valuation risk. The Committees meet monthly and comprise representatives from front office, Group Market Risk, product control and valuation control. The Committees are responsible for reviewing the results of the valuation control process.

Valuation hierarchy

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

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

Level 1 portfolio

Level 1 assets and liabilities are typically exchange traded positions and some government bonds traded in active markets. These positions are valued using quoted prices in active markets.

Level 2 portfolio

Where instruments are not quoted in an active market the Group utilises a number of valuation techniques to determine fair value. These valuation techniques include discounted cash flow analysis models, option pricing models and simulation models and other standard models commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, such as discount rates, default rates, credit spreads and option volatilities. These inputs need to be directly or indirectly observable in order to be classified as Level 2.

The Group makes a credit valuation adjustment (CVA) against derivative products, which represents an estimate of the adjustment to fair value that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the transactions. For these products, the Group uses the Advanced IRB (AIRB) approach to manage its credit risk. All assets under the AIRB approach have sophisticated probability of default (PD), loss given default (LGD) and exposure at default or credit conversion factor models developed to support the credit decision making process. For CVA, AIRB models are used to calculate the PD and LGD which, together with the results of the exposure simulation engine, generates a view of expected loss.

In addition to periodic reassessment of the counterparties, credit exposures and external trends which may impact risk management outcomes are closely monitored. 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. As a result, the reserve represents a dynamic calculation based on the credit quality of the counterparties, collateral positions and exposure profiles.

All fair value positions in non-derivative financial instruments are valued at bid (for long positions) or offer (short) levels. Fair value of derivative positions is initially derived by calculating at mid-market levels. These are then adjusted through bid-offer valuation adjustments to effectively reflect the long positions at bid and short positions at offer. The resulting valuation is then reflective of the fair value of that instrument in the market.

In calculating the bid-offer valuation adjustment, reference is usually made to the risk contained within a similar bucket, for example the interest rate risk is divided in time buckets and a separate bid-offer valuation adjustment calculated for each one of these. The rationale for following this methodology is to take account of the different risks that exist for each of the time buckets and the different hedge transactions that would need to be executed to insulate the gross risk in those buckets, should the need arise. Similar bucketing also takes place to account for different bid-offer levels for options which are at the money, out of the money and in the money.

Level 3 portfolio

The primary products classified as Level 3 are as follows:

Investment securities – asset backed securities

The majority of these positions are valued using third party sources. However, due to the severe lack of liquidity in the market and the prolonged period of time under which many securities have not traded, obtaining external prices is not a strong enough measure to determine whether an asset has an observable price or not. Therefore, once external pricing has been verified, the portfolio asset classes are monitored against market conditions using broker reports in order to establish which asset classes are seeing some levels of activity and which are completely illiquid. The latter are classified as Level 3. Where third party pricing is not available, Standard Chartered dealer prices are used with the asset classified as Level 3.

Equity shares – Private Equity

Unlisted Private Equity investments are generally valued based on earning multiples (Price-to-earnings (P/E) or Enterprise Value (EV) or Earnings before income tax, Depreciation and Amortisation (EBITDA)) of comparable listed companies together with the application of a liquidity discount. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. Even though earning multiples for the comparable listed companies can be sourced from third party sources (for example, Bloomberg) and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where some form of observable inputs are available, for example, OTC prices) are classified as Level 3 on the grounds that the valuation methods involve significant judgements ranging from determining comparable companies to liquidity discounts.

Derivatives

These trading derivatives are classified as Level 3 if there are parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. These unobservable correlation parameters could only be implied from the market, through methods such as historical analysis and comparison to historical levels or benchmark data. Other derivatives are classified as Level 3 if the trading is illiquid, such as some emerging market convertible bonds and structured credit products.

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

Assets	*Level 1 $million*	*Level 2 $million*	*Level 3 $million*	*Total $million*
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	372	1,676	—	2,048
Loans and advances to customers	170	3,341	—	3,511
Treasury bills and other eligible bills	4,537	1,022	—	5,559
Debt securities	5,250	4,732	129	10,111
Equity shares	604	37	576	1,217
	10,933	10,808	705	22,446
Derivative financial instruments	623	37,432	138	38,193
Investment securities				
Treasury bills and other eligible bills	12,794	6,164	—	18,958
Debt securities	16,366	31,630	437	48,433
Equity shares	595	298	756	1,649
	29,755	38,092	1,193	69,040
At 31 December 2009	41,311	86,332	2,036	129,679

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

There were no significant transfers between Level 1 and Level 2 in 2009.

As at 31 December 2009, the Company has derivative financial assets of $291 million and derivative financial liabilities of $25 million classified as Level 2.

Level 3 movement tables

Financial assets

Assets	Held at fair value through profit or loss		Investment securities			
	Debt securities $million	Equity shares $million	Derivative financial instruments $million	Debt securities $million	Equity shares $million	Total $million
At 1 January 2009	141	415	260	332	563	1,711
Total (losses)/gains recognised in income statement	(10)	32	(142)	(1)	(41)	(162)
Total gains recognised in other comprehensive income	—	1	12	14	74	101
Purchases	—	128	3	307	165	603
Issues	—	—	—	—	—	—
Sales	—	—	(1)	(193)	(5)	(199)
Settlements	—	—	—	—	—	—
Transfers out	(2)	—	—	(22)	—	(24)
Transfers in	—	—	6	—	—	6
At 31 December 2009	129	576	138	437	756	2,036
Total (losses)/gain recognised in the income statement relating to assets held at 31 December 2009	(5)	28	39	6	(31)	37

Financial liabilities

Liabilities	Derivative financial instruments $million	Total $million
At 1 January 2009	181	181
Total gains recognised in income statement	(70)	(70)
Total losses recognised in other comprehensive income	16	16
Purchases	—	—
Issues	—	—
Sales	—	—
Settlements	23	23
Transfers out	—	—
Transfers in	—	—
At 31 December 2009	150	150
Total losses recognised in the income statement relating to liabilities held at 31 December 2009	(31)	(31)

There were no significant transfers into or out of Level 3 fair value in 2009.

Sensitivities in respect of the fair values of Level 3 assets and liabilities

	Held at fair value through profit or loss			*Available-for-sale*		
At 31 December 2009	*Net exposure $million*	*Favourable changes $million*	*Unfavourable changes $million*	*Net exposure $million*	*Favourable changes $million*	*Unfavourable changes $million*
Financial instruments held at fair value through profit or loss						
Debt securities	129	130	126	—	—	—
Equity shares	576	634	518	—	—	—
Derivative financial instruments	(12)	2	(14)	—	—	—
Investment securities						
Debt securities	—	—	—	437	452	427
Equity shares	—	—	—	756	835	676
Total	693	766	630	1,193	1,287	1,103

Where the fair value of financial instruments are measured using valuation techniques that incorporate one or more insignificant inputs which are based on unobservable market data, the Company applies stress on these unobservable parameter inputs. A 10% increase or decrease in correlation and credit sensitivities generates a range of reasonably possible alternative valuations. As of 31 December 2009, these stresses could have increased fair values of financial instruments held at fair value through profit or loss by $73 million and available-for-sale by $94 million, or decreased fair values of financial instruments held at fair value through profit or loss by $63 million and available-for-sale by $90 million.

Instruments carried at amortised cost

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. The fair values in the table below are stated as at 31 December and may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument.

	2009		*2008*	
	Book amount $million	*Fair value $million*	*Book amount $million*	*Fair value $million*
Assets				
Cash and balances at central banks	18,131	18,131	24,161	24,161
Loans and advances to banks	50,885	50,906	46,583	45,855
Loans and advances to customers	198,292	199,739	174,178	170,410
Investment securities	6,688	6,556	7,493	6,729
Other assets	11,181	11,181	14,773	14,773
Liabilities				
Deposits by banks	38,461	38,169	31,909	31,713
Customer accounts	251,244	249,548	234,008	230,558
Debt securities in issue	29,272	27,261	23,447	23,097
Subordinated liabilities and other borrowed funds	16,730	16,687	16,986	13,903
Other liabilities	8,513	8,513	9,401	9,401

The following sets out the Group's basis of establishing fair values of the financial instruments shown above.

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 and customers

For 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.

The Group's loans and advances to customers portfolio is well diversified by geography and industry. Approximately one-third of the portfolio reprices within one month, and over 50% reprices within 12 months. The fair value of loans and advances to customers with a residual maturity of less than one year is their carrying value. Loans and advances are presented net of provisions for impairment. The estimated fair value of loans and advances with a residual maturity of more than one year 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 has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material.

Investment securities

For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using inputs proxied from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or inputs proxied from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relate to asset backed securities. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows. The Group has a wide range of individual investments within the unlisted debt securities portfolio. Given the number of instruments involved, providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material.

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.

Reclassification of financial assets

In 2008 the Group reclassified certain financial assets classified as held for trading into the available-for-sale (AFS) category as these were no longer considered to be held for the purpose of selling or repurchasing in the near term. At the time of transfer, the Group identified the rare circumstances permitting such a transfer as the impact of the ongoing credit crisis in financial markets, particularly from the beginning of 2008, which significantly impacted the liquidity in certain markets. The Group also reclassified certain eligible financial assets from trading and AFS categories to loans and receivables.

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

For assets reclassified:	Carrying amount at 31 December 2009 $million	Fair value at 31 December 2009 $million	If assets had not been reclassified, fair value gain/(loss) from 1 January 2009 to 31 December 2009 which would have been recognised within: Income $million	AFS reserve $million	Income (expenses) recognised in income statement in 2009 $million	Effective interest rate at date of reclassification %
From trading to AFS	593	593	(20)[1]	—	23	6.2
From trading to loans and receivables	2,213	2,049	127	—	95	5.8
From AFS to loans and receivables	1,362	1,216	—	145	49	5.3
	4,168	3,858	107	145	167	
Of which asset backed securities:						
reclassified to AFS	148	148	(17)[1]	—	(36)	
reclassified to loans and receivables	2,231	2,002	2[1]	145	76	

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

For assets reclassified:	Carrying amount at 31 December 2009 $million	Fair value at 31 December 2009 $million	If assets had not been reclassified, fair value loss from the date of reclassification to 31 December 2008 which would have been recognised within: Income $million	AFS reserve $million	Income (expenses) recognised in income statement in 2009 $million	Effective interest rate at date of reclassification %
From trading to AFS	2,485	2,485	(83)[1]	—	12	5.9
From trading to loans and receivables	2,754	2,456	(298)	—	15	5.7
From AFS to loans and receivables	2,095	1,685	—	(410)	11	5.3
	7,334	6,626	(381)	(410)	38	
Of which asset backed securities:						
reclassified to available-for-sale	171	171	(66)[1]	—	2	
reclassified to loans and receivables	3,034	2,532	(92)	(410)	15	

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

15. Financial instruments held at fair value through profit or loss

Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit or loss comprise assets held for trading and those financial assets designated as being held at fair value through profit or loss.

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

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

Loans and advances held at fair value through profit and loss

The maximum exposure to credit risk for loans designated at fair value through profit or loss was $239 million (2008: $243 million).

The net fair value loss on loans and advances to customers designated at fair value through profit or loss was $5.9 million (2008: $0.1 million). Of this, $nil million (2008: $3 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was $3.4 million (2008: $3.4 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.

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:

	2009 *$million*	*2008* *$million*
At 1 January	8	9
Additional amount deferred	—	2
Recognised in income	(4)	(3)
At 31 December	4	8

Changing one or more of the assumptions to reasonably possible alternatives would not significantly change the fair value.

Investment securities held at fair value through profit or loss

	2009			
	Debt securities $million	*Equity shares $million*	*Treasury bills $million*	*Total $million*
Issued by public bodies:				
Government securities	5,568			
Other public sector securities	18			
	5,586			
Issued by banks:				
Certificates of deposit	628			
Other debt securities	968			
	1,596			
Issued by corporate entities and other issuers:				
Other debt securities	2,929			
Total debt securities	10,111			
Of which:				
Listed on a recognised UK exchange	440	—	—	440
Listed elsewhere	4,835	604	1,516	6,955
Unlisted	4,836	613	4,043	9,492
	10,111	1,217	5,559	16,887
Market value of listed securities	5,275	604	1,516	7,395

	2008			
	Debt securities $million	*Equity shares $million*	*Treasury bills $million*	*Total $million*
Issued by public bodies:				
Government securities	4,346			
Other public sector securities	17			
	4,363			
Issued by banks:				
Certificates of deposit	33			
Other debt securities	798			
	831			
Issued by corporate entities and other issuers:				
Other debt securities	1,202			
Total debt securities	6,396			
Of which:				
Listed on a recognised UK exchange	14	—	—	14
Listed elsewhere	2,216	197	1,085	3,498
Unlisted	4,166	428	1,622	6,216
	6,396	625	2,707	9,728
Market value of listed securities	2,230	197	1,085	3,512

Financial liabilities held at fair value through profit and loss

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

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

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

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 gain on liabilities designated at fair value through profit or loss was $70 million for the year (2008: loss of $118 million). Of this, a gain of $6.0 million (2008: loss of $11.2 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was a loss of $10.4 million (2008: a loss of $16.4 million).

As at 31 December 2009, the amount the Group is contractually obliged to pay at maturity to the holders of these obligations was $505 million higher (2008: $407 million higher) 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.

16. Derivatives 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 or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within reserves).

The tables below 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 limit 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 48, under maximum exposure to credit risk.

The Derivatives and Hedging sections of the Risk review on page 65 of the 2009 Annual Report explain the Group's and the Company's risk management of derivative contracts and application of hedging.

Group

Total derivatives	2009 Notional principal amounts $million	2009 Assets $million	2009 Liabilities $million	2008 Notional principal amounts $million	2008 Assets $million	2008 Liabilities $million
Foreign exchange derivative contracts						
Forward foreign exchange contracts	701,502	9,052	7,920	832,915	23,096	21,017
Currency swaps and options	448,615	9,753	9,621	528,215	18,760	19,253
Exchange traded futures and options	774	—	—	742	—	—
	1,150,891	18,805	17,541	1,361,872	41,856	40,270
Interest rate derivative contracts						
Swaps	1,210,432	14,230	13,946	1,089,407	21,992	21,451
Forward rate agreements and options	233,769	2,498	2,472	170,700	1,076	1,451
Exchange traded futures and options	252,625	83	84	242,694	557	429
	1,696,826	16,811	16,502	1,502,801	23,625	23,331
Credit derivative contracts	35,133	835	845	29,033	926	961
Equity and stock index options	3,208	470	613	1,075	219	233
Commodity derivative contracts	19,066	1,272	1,083	16,200	3,031	2,980
Total derivatives	2,905,124	38,193	36,584	2,910,981	69,657	67,775

Company

Total derivatives	2009 Notional principal amounts $million	2009 Assets $million	2009 Liabilities $million	2008 Notional principal amounts $million	2008 Assets $million	2008 Liabilities $million
Foreign exchange derivative contracts						
Currency swaps	3,189	291	—	1,044	—	26
	3,189	291	—	1,044	—	26
Interest rate derivative contracts						
Swaps	1,539	—	25	—	—	—
	1,539	—	25	—	—	—
Total derivatives	4,728	291	25	1,044	—	26

Derivatives held for hedging

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

Group

	2009			*2008*		
	Notional principal amounts $million	*Assets $million*	*Liabilities $million*	*Notional principal amounts $million*	*Assets $million*	*Liabilities $million*
Derivatives designated as fair value hedges						
Interest rate swaps	29,595	1,247	440	18,376	1,393	251
Currency swaps	607	14	9	—	—	—
Forward foreign exchange contracts	825	—	1	—	—	—
	31,027	1,261	450	18,376	1,393	251
Derivatives designated as cash flow hedges						
Interest rate swaps	14,673	46	23	4,514	92	13
Options	898	23	—	—	—	—
Forward foreign exchange contracts	410	—	37	1,015	6	210
Currency swaps	218	—	1	—	—	—
	16,199	69	61	5,529	98	223
Derivatives designated as net investment hedges						
Forward foreign exchange contracts	738	5	66	600	—	89
Total derivatives held for hedging	47,964	1,335	577	24,505	1,491	563

Company

	2009			*2008*		
	Notional principal amounts $million	*Assets $million*	*Liabilities $million*	*Notional principal amounts $million*	*Assets $million*	*Liabilities $million*
Derivatives designated as fair value hedges						
Currency swaps	4,728	291	25	1,044	—	26
Total derivatives held for hedging	4,728	291	25	1,044	—	26

Fair value hedges

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.

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, losses arising on the hedging instruments during the year were $462 million (2008: gains of $1,142 million) compared to gains arising on the hedged items of $454 million (2008: losses of $1,138 million). For the Company, losses arising on fair value hedging instruments were $29 million (2008: $26 million) compared to gains arising on the hedged items of $75 million (2008: $26 million).

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. During the year, $4 million (2008: $4 million) was recognised in the income statement in respect of ineffectiveness arising on cash flow hedges. During the year net losses of $106 million (2008: net gains of $18 million) were reclassified to profit and loss from the cash flow hedging reserve, of which losses of $123 million (2008: gains of $2 million) were recognised within operating costs and gains of $17 million (2008: $16 million) recognised within net interest income.

The Group has hedged the following cash flows which are expected to impact the income statement in the following periods:

	2009						
	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	500	274	179	161	150	—	1,264
Forecast payable cash flows	(2,043)	(246)	(155)	(136)	(132)	—	(2,712)
	(1,543)	28	24	25	18	—	(1,448)

	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)

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 (2008: $nil million) was recognised in the income statement in respect of ineffectiveness arising on net investment hedges.

17. Loans and advances to banks

	2009 *$million*	2008 *$million*
Loans and advances to banks	53,067	47,969
Individual impairment provision (note 20)	(132)	(17)
Portfolio impairment provision (note 20)	(2)	(6)
	52,933	47,946
Of which: loans and advances held at fair value through profit or loss (note 14)	(2,048)	(1,363)
	50,885	46,583

18. Loans and advances to customers

	2009 *$million*	2008 *$million*
Loans and advances to customers	204,530	180,470
Individual impairment provision (note 20)	(1,853)	(1,307)
Portfolio impairment provision (note 20)	(874)	(651)
	201,803	178,512
Of which: loans and advances held at fair value through profit or loss (note 14)	(3,511)	(4,334)
	198,292	174,178
Loans and advances sold subject to sale and repurchase transactions	231	106

The Group has transferred to third parties by way of securitisation the rights to any collections of principal and interest on customer loan assets with a face value of $3,601 million (2008: $4,192 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 $3,063 million (2008: $4,583 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 $15.4 billion (2008: $15.7 billion). The Group continues to hold the underlying assets referenced in the synthetic credit default swaps.

The Group has outstanding residential mortgage loans to Korea residents of $20.5 billion (2008: $17.1 billion) and Hong Kong residents of $14.8 billion (2008: $13.0 billion).

19. Assets leased to customers

Finance leases and instalment credit

	2009 *$million*	2008 *$million*
Finance leases	399	468
Instalment credit agreements	706	784
	1,105	1,252

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 $228 million (2008: $154 million).

	2009 $million	2008 $million
Minimum lease receivables under finance leases falling due:		
Within one year	52	47
Later than one year and less than five years	389	354
After five years	—	125
	441	526
Interest income relating to future periods	(42)	(58)
Present value of finance lease receivables	399	468
Of which:		
Falls due within one year	35	46
Falls due later than one year and less than five years	364	321
Falls due after five years	—	101

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 2009 these assets had a net book value of $1,606 million (2008: $1,029 million).

	2009 $million	2008 $million
Minimum lease receivables under operating leases falling due:		
Within one year	175	111
Later than one year and less than five years	679	451
After five years	386	297
	1,240	859

20. Impairment provisions on loans and advances

	2009 $million	2008 $million
At 1 January	1,981	1,809
Exchange translation differences	70	(179)
Acquisitions	—	109
Amounts written off	(1,332)	(1,119)
Recoveries of acquisition fair values	(39)	(78)
Recoveries of amounts previously written off	191	180
Discount unwind	(58)	(40)
Other	53	13
New provisions	2,613	1,796
Recoveries/provisions no longer required	(618)	(510)
Net charge against profit	1,995	1,286
Provisions held at 31 December	2,861	1,981

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

	2009 $million	2008 $million
Net charge against profit on loans and advances:		
Individual impairment charge	1,799	1,168
Portfolio impairment charge	196	118
	1,995	1,286
(Release)/provisions related to credit commitments	(2)	27
Impairment charges relating to debt securities classified as loans and receivables	7	8
Total impairment charge and other credit risk provisions	2,000	1,321

The following table shows impairment provisions on loans and advances by each principal category of borrowers' business or industry:

	2009 $million	2008 $million
Loans to individuals		
Mortgages	107	88
Other	201	191
Small and medium enterprises	230	263
Consumer Banking	538	542
Agriculture, forestry and fishing	59	39
Construction	36	18
Commerce	425	134
Electricity, gas and water	7	28
Financing, insurance and business services	130	31
Mining and quarrying	6	—
Manufacturing	590	458
Commercial real estate	13	21
Transport, storage and communication	24	24
Other	25	12
Wholesale Banking	1,315	765
Individual impairment provision against loans and advances to customers (note 18)	1,853	1,307
Individual impairment provision against loans and advances to banks (note 17)	132	17
Portfolio impairment provision (note 17, 18)	876	657
Total impairment provisions on loans and advances	2,861	1,981

21. Individually impaired loans and advances

	2009				2008			
	Consumer Banking $million	Wholesale Banking – Loans to customers $million	Wholesale Banking – Loans to banks $million	Total $million	Consumer Banking $million	Wholesale Banking – Loans to customers $million	Wholesale Banking – Loans to banks $million	Total $million
Individual impaired loans	1,030	2,474	286	3,790	1,062	1,576	35	2,673
Individual impairment provisions	(538)	(1,315)	(132)	(1,985)	(543)	(764)	(17)	(1,324)
Net impaired loans	492	1,159	154	1,805	519	812	18	1,349
Estimated fair value of collateral held	601	557	—	1,158	631	205	—	836

Collateral held as security against impaired loans primarily relates to property, equipment and guarantees. 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.

22. Investment securities

	2009					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables[1] $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	31	16,825	392			
Other public sector securities	—	1,530	18			
	31	18,355	410			
Issued by banks:						
Certificates of deposit	—	5,875	1,795			
Other debt securities	—	17,445	1,852			
	—	23,320	3,647			
Issued by corporate entities and other issuers:						
Other debt securities	—	6,758	2,600			
Total debt securities	31	48,433	6,657			
Of which:						
Listed on a recognised UK exchange	—	5,180	—	105	—	5,285
Listed elsewhere	29	17,451	1,287	289	5,241	24,297
Unlisted	2	25,802	5,370	1,255	13,717	46,146
	31	48,433	6,657	1,649	18,958	75,728
Market value of listed securities	29	22,631	1,270	394	5,241	29,565
Investment securities sold subject to sale and repurchase transactions	—	618	—	72	547	1,237

1 Includes debt securities of $850 million which are listed or registered on a recognised UK exchange or elsewhere but the markets remain illiquid.

	2008					
	Debt securities					
	Held-to-maturity $million	*Available-for-sale $million*	*Loans and receivables[1] $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			
Of which:						
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
Investment securities subject to sale and repurchase transactions	—	1,855	—	—	1,455	3,310

1 Includes debt securities of $972 million which are listed or registered on a recognised UK exchange or elsewhere but the markets remain illiquid.

Equity shares largely comprised investments in corporates.

The change in the carrying amount of investment securities comprised:

	2009				2008			
	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	51,036	1,593	16,713	69,342	40,917	2,690	11,667	55,274
Exchange translation differences	1,635	20	539	2,194	(3,318)	(97)	(2,171)	(5,586)
Acquisitions	—	1	—	1	2,572	4	382	2,958
Additions	86,712	369	42,658	129,739	71,073	933	37,932	109,938
Reclassifications[1]	—	—	—	—	5,237	(69)	43	5,211
Disposal on sale of business	—	—	—	—	—	(9)	—	(9)
Maturities and disposals	(84,857)	(807)	(41,014)	(126,678)	(65,426)	(854)	(31,476)	(97,756)
Impairment, net of recoveries on disposal	(81)	8	—	(73)	(109)	(315)	(1)	(425)
Changes in fair value (including the effect of fair value hedging)	29	465	(53)	441	(106)	(687)	140	(653)
Amortisation of discounts and premiums	647	—	115	762	196	(3)	197	390
At 31 December	55,121	1,649	18,958	75,728	51,036	1,593	16,713	69,342

1 In 2008, 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 14.

In 2008, the Group took 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 was earmarked as collateral for the borrowing. The value of securities that is considered to be encumbered in relation to this borrowing was $3,197 million and the borrowing was included as a sale and repurchase transaction within customer accounts.

At 31 December 2009, unamortised premiums on debt securities held for investment purposes amounted to $669 million (2008: $271 million) and unamortised discounts amounted to $725 million (2008: $743 million). Income from listed equity shares amounted to $12 million (2008: $20 million) and income from unlisted equity shares amounted to $97 million (2008: $183 million).

The change in impairment provisions is as follows:

	2009				2008			
	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	158	311	1	470	54	22	2	78
Exchange translation differences	1	1	—	2	(4)	—	(2)	(6)
Amounts written off	(49)	(68)	(1)	(118)	(1)	(26)	—	(27)
Impairment, net of recoveries on disposals[1]	81	(8)	—	73	109	315	1	425
At 31 December	191	236	—	427	158	311	1	470

1 Impairment charge includes recoveries of impairment on disposal of equity investment of $57 million (2008: $nil million). Of the new provisions raised of $130 million (2008: $425 million), $7 million (2008: $8 million) relates to debt securities measured 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'

Loans and receivables debt securities held by the Company of $2,725 million (2008: $925 million) comprises corporate securities issued by Standard Chartered Bank with a fair value of $2,743 million (2008: $698 million).

23. Other assets

	2009 $million	2008 $million
Financial assets held at amortised cost (note 14)		
Hong Kong SAR government certificates of indebtedness (note 33)	3,414	3,097
Cash collateral	4,557	9,102
Acceptances and endorsements	3,080	2,574
Other	130	—
	11,181	14,773
Non-financial assets		
Other assets	6,020	5,601
	17,201	20,374

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

The Company has $nil million (2008: $64 million) of other assets.

24. Investments in subsidiary undertakings, joint ventures and associates

Investment in subsidiary undertakings	2009 $million	2008 $million
At 1 January	10,406	10,406
Additions	2,500	—
At 31 December	12,906	10,406

At 31 December 2009, 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	99.99

Country and place of incorporation or registration	*Main areas of operation*	*Group interest in ordinary share capital %*
Standard Chartered Bank Nigeria Limited	Nigeria	100
Standard Chartered Bank Kenya Limited	Kenya	74.3
Standard Chartered Private Equity Limited, Hong Kong	Hong Kong	100

Joint ventures

The Group has a 44.51% interest through a joint venture company which holds a majority investment in PT Bank Permata Tbk (Permata), in Indonesia. The Group has a 74.9% interest in Standard Chartered-STCI Capital Markets (SC Caps). SC Caps is a equity brokerage company and its main operations are in India. Although the Group's investment in SC Caps is greater than 50% of the share capital, the Group contractually shares control of the strategic financial and operating policies of SC Caps 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 44, include $102 million (2008: $59 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 51.

The following amounts have been included in the consolidated accounts of the Group:

	2009 $million	*2008 $million*
Current assets	1,094	863
Long-term assets	1,759	1,467
Total assets	2,853	2,330
Current liabilities	(2,183)	(1,722)
Long-term liabilities	(151)	(233)
Total liabilities	(2,334)	(1,955)
Net assets	519	375
Income	168	159
Expenses	(113)	(111)
Impairment	(20)	(6)
Operating profit	35	42
Tax	(13)	(16)
Share of post tax result from joint ventures	22	26

Long-term assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

Interests in associates

	2009 $million	2008 $million
At 1 January	511	269
Translation	(2)	—
Additions	41	306
Disposals	(6)	—
Dividends	(11)	(13)
Transfer to subsidiary	—	(5)
Impairment	(19)	(46)
At 31 December	514	511

The following amounts represent the total profit, assets and liabilities of the Group's associated undertakings:

	2009 $million	2008 $million
Profit for the year	163	25
Total assets	25,324	14,589
Total liabilities	(23,954)	(13,319)
Net assets	1,370	1,270

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

The fair value of the investment in Asia Commerical Bank (ACB) at 31 December 2009 is $236 million (2008: $211 million). The Group's investments in ACB and China Bohai Bank are less than 20% 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 interchange of management personnel and the provision of expertise. The reporting dates of these associates are within three months of the Group's reporting date.

25. Business combinations

2009 acquisitions

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

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

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

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

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

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

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

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

2008 acquisitions

On 25 February 2008, the Group acquired 100% of the share capital of Yeahreum Mutual Savings Bank (Yeahreum), a Korean banking company. On 29 February 2008, the Group acquired 100% 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% 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 $4,576 million.

During 2008, the Group acquired the remaining 20% 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]	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	

	AEB		Other acquisitions	
	Fair value $million	*Acquiree's carrying amount $million*	*Fair value $million*	*Acquiree's carrying amount $million*
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)	

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

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.

26. Goodwill and intangible assets

	2009				*2008*			
	Goodwill $million	*Acquired intangibles*	*Software $million*	*Total $million*	*Goodwill $million*	*Acquired intangibles*	*Software $million*	*Total $million*
Cost								
At 1 January	5,745	490	595	6,830	5,785	477	533	6,795
Exchange translation differences	188	15	21	224	(752)	(75)	(24)	(851)
Acquisitions	83	14	—	97	712	88	—	800
Additions	—	—	172	172	—	—	163	163
Disposals	—	—	(2)	(2)	—	—	(4)	(4)
Amounts written off	—	—	(136)	(136)	—	—	(73)	(73)
At 31 December	6,016	519	650	7,185	5,745	490	595	6,830
Provision for amortisation								
At 1 January	—	204	265	469	—	160	261	421
Exchange translation differences	—	12	9	21	—	(37)	(17)	(54)
Amortisation for the period	—	69	139	208	—	81	94	175
Amounts written off	—	—	(133)	(133)	—	—	(73)	(73)
At 31 December	—	285	280	565	—	204	265	469
Net book value	6,016	234	370	6,620	5,745	286	330	6,361

At 1 January 2008, the net book value was: goodwill, $5,785 million; acquired intangibles, $317 million; and software, $272 million.

At 31 December 2009, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $69 million (2008: $69 million).

	2009 $million	2008 $million
Acquired intangibles comprise:		
Core deposits	51	68
Customer relationships	117	144
Brand names	60	67
Licences	6	7
Net book value	234	286

Acquired intangibles primarily comprise those recognised as part of the acquisitions of SC First Bank (SCFB), Permata, Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), Hsinchu (now amalgamated into Standard Chartered Bank (Taiwan)), Pembroke, Harrison Lovegrove and AEB. The acquired intangibles are amortised over periods from 4 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*	*2009 $million*	*2008 $million*
SCFB, A Brain and Yeahreum	Korean business	1,700	1,534
Union Bank	Pakistan business	312	332
Hsinchu and Asia Trust	Taiwan business	1,220	1,192
Manhattan Card Business	Credit card and personal loan – Asia, India & MESA	896	896
Grindlays (India) and SC Caps	India business	410	387
Grindlays (MESA)	MESA business	363	368
Standard Chartered Bank (Thai)	Thailand business	310	298
Permata	Group's share of Permata (Indonesia business)	163	138
American Express Bank	Financial Institutions and private banking business	396	396
Harrison Lovegrove, Pembroke, Cazenove Asia and First Africa	Corporate advisory business	64	23
Other		182	181
		6,016	5,745

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 (four years), Korea business (four years), Thailand business and Permata (four 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 reasonable possible change in any of 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 2013 will take place at a steady rate of 3.5% (2008: 3.7%) in line with the long-term forecast GDP growth of Korea. A pre-tax discount rate of 19.9% (2008: 17.2%) 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 4.3% (2008: 5.6%) in line with the long-term forecast GDP growth of Pakistan. A pre-tax discount rate of 28.4% (2008: 25.9%) 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 3.4% (2008: 4.1%) in line with the long-term forecast GDP growth of Taiwan. A pre-tax discount rate of 16.7% (2008: 22.3%) 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 3.8% (2008: 3.0%) in line with the long-term forecast global GDP growth. A pre-tax discount rate of 13.9% (2008: 13.7%) 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% interest in SC Caps, 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 7.6% (2008: 6.8%) in line with the long-term forecast GDP growth of India. A pre-tax discount rate of 18.5% (2008: 18.6%) 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 3.8% (2008: 3.0%) in line with the long term forecast GDP growth of MESA. A pre-tax discount rate of 20.9% (2008: 19.6%) was used.

Thailand business

75% 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%, 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 4.3% (2008: 4.6%) in line with the long term forecast GDP growth of Thailand. A pre-tax discount rate of 17.7% (2008: 21.5%) was used.

Group's share of Permata

31.55% of Permata was acquired in 2004 with initial goodwill recognised of $115 million. A further 12.96% 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 6.4% (2008: 5.9%) in line with the long-term forecast GDP growth of Indonesia. A pre-tax discount rate of 27.8% (2008: 24.3%) was used.

Financial institution and private banking business

100% 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 3.8% (2008: 3.0%), in line with long-term forecast global GDP growth. A pre-tax discount rate of 13.9% (2008: 13.7%) was used.

Corporate advisory business

The total goodwill of $64 million generated on the acquisition of Harrison Lovegrove and Pembroke in 2007 and Cazenove Asia and First Africa in 2009 comprises, oil and gas advisory, aircraft leading, capital markets and corporate advisory and leverage finance advisory operations in Europe, Asia and Africa respectively.

In assessing impairment of goodwill, the Group has assumed that growth will remain at a steady 3.8% (2008: 3.0%), in line with long-term forecast global GDP growth. A pre-tax discount rate of 13.9% (2008: 13.7%) was used.

27. Property, plant and equipment

	2009			2008		
	Premises $million	*Equipment $million*	*Total $million*	*Premises $million*	*Equipment $million*	*Total $million*
Cost or valuation						
At 1 January	2,576	1,784	4,360	2,711	822	3,533
Exchange translation differences	82	23	105	(407)	(95)	(502)
Additions	134	755	889	363	1,068	1,431
Acquisitions	—	1	1	38	19	57
Disposals and fully depreciated assets written off	(197)	(98)	(295)	(11)	(74)	(85)
Reclassification	5	(5)	—	(44)	44	—
Transfers from/(to) assets held for re-sale	47	—	47	(74)	—	(74)
At 31 December	2,647	2,460	5,107	2,576	1,784	4,360
Depreciation						
Accumulated at 1 January	327	447	774	261	380	641
Exchange translation differences	5	15	20	(32)	(64)	(96)
Charge for the year	119	193	312	98	152	250
Attributable to assets sold or written off	(28)	(74)	(102)	—	(21)	(21)
Accumulated at 31 December	423	581	1,004	327	447	774
Net book amount at 31 December	2,224	1,879	4,103	2,249	1,337	3,586

At 1 January 2008, the net book value was: premises, $2,450 million and equipment, $442 million.

Equipment includes operating lease assets of $1,606 million (2008: $1,029 million) (see note 19).

Assets held under finance leases have the following net book amount:

	2009		2008	
	Premises $million	*Equipment $million*	*Premises $million*	*Equipment $million*
Cost	45	16	45	15
Aggregate depreciation	(7)	(11)	(6)	(7)
Net book amount	38	5	39	8

The Group's premises leases include rent review periods, renewal terms and in some cases purchase options.

	2009 *$million*	*2008* *$million*
Minimum lease payments under finance leases falling due:		
Within one year	3	5
Later than one year and less than five years	5	7
	8	12
Future finance charges on finance leases	(1)	(2)
Present value of finance lease liabilities	7	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 2009 *$million*	*Exchange & other adjustments* *$million*	*Acquisitions/ disposals* *$million*	*Charge/ (credit) to profit* *$million*	*Charge/ (credit) to equity* *$million*	*At 31 December 2009* *$million*
Deferred taxation comprises:						
Accelerated tax depreciation	(29)	(7)	—	(157)	—	(193)
Impairment provisions on loans and advances	(174)	(18)	—	61	—	(131)
Tax losses carried forward	(145)	3	—	(113)	(22)	(277)
Available-for-sale assets	63	6	—	—	6	75
Premises revaluation	17	(2)	—	(14)	—	1
Cash flow hedges	(35)	14	—	—	21	—
Unrelieved foreign tax	(34)	—	—	(19)	—	(53)
Retirement benefit obligations	(89)	(12)	—	19	(37)	(119)
Share based payments	(21)	(13)	—	(80)	(35)	(149)
Other temporary differences	(37)	28	—	(48)	—	(57)
Net deferred tax assets	(484)	(1)	—	(351)	(67)	(903)

	At 1 January 2008 $million	Exchange & other adjustments $million	Charge/ Acquisitions/ disposals $million	Charge/ (credit) to profit $million	At (credit) to equity $million	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)
Net deferred tax assets	(560)	16	(14)	149	(75)	(484)

Deferred taxation comprises assets and liabilities as follows:

	2009			2008		
	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred taxation comprises:						
Accelerated tax depreciation	(193)	(214)	21	(29)	(57)	28
Impairment provisions on loans and advances	(131)	(227)	96	(174)	(249)	75
Tax losses carried forward	(277)	(277)	—	(145)	(143)	(2)
Available-for-sale assets	75	61	14	63	32	31
Premises revaluation	1	—	1	17	15	2
Cash flow hedges	—	(3)	3	(35)	(42)	7
Unrelieved foreign tax	(53)	(53)	—	(34)	(34)	—
Retirement benefit obligations	(119)	(120)	1	(89)	(93)	4
Share based payments	(149)	(140)	(9)	(21)	(21)	—
Other temporary differences	(57)	(123)	66	(37)	(68)	31
	(903)	(1,096)	193	(484)	(660)	176

	2009 $million	2008 $million
No account has been taken of the following potential deferred taxation assets/ (liabilities):		
Unrelieved foreign tax	715	738
Unremitted earnings from overseas subsidiaries[1]	(296)	(484)
Foreign exchange movements on investments in branches	(48)	(6)
Tax losses	130	38
Held over gains on incorporations of overseas branches	(494)	(418)

1 Unremitted earnings from overseas subsidiaries includes $296 million (2008: $99 million) witholding tax. No UK tax liability has been recognised on undistributed earnings because it is probable that if such amounts are remitted in the future they would be tax free as a result of a change in the UK taxation of foreign dividends post 1 July 2009.

29. Deposits by banks

	2009 $million	2008 $million
Deposits by banks	38,461	31,909
Deposits by banks included within:		
Financial liabilities held at fair value through profit or loss (note 14)	482	4,077
	38,943	35,986

30. Customer accounts

	2009 $million	2008 $million
Customer accounts	251,244	234,008
Customer accounts included within:		
Financial liabilities held at fair value through profit or loss (note 14)	5,502	4,583
	256,746	238,591

Included in customer accounts were deposits of $1,109 million (2008: $1,299 million) held as collateral for irrevocable commitments under import letters of credit.

31. Debt securities in issue

	2009			2008		
	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	10,611	18,661	29,272	13,284	10,163	23,447
Debt securities in issue included within: Financial liabilities held at fair value through profit or loss (note 14)	865	3,122	3,987	460	3,162	3,622
	11,476	21,783	33,259	13,744	13,325	27,069

The Company has other debt securities in issue at 31 December 2009 of $4,770 million (2008: $1,372 million).

32. Structure of deposits

The following tables set out the structure of the Group's deposits by principal geographic areas as at 31 December 2009 and 31 December 2008:

	2009								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific[1] $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe $million*	*Total $million*
Non-interest bearing current and demand accounts	6,220	6,343	81	4,393	2,779	6,571	2,274	1,911	30,572
Interest bearing current accounts and savings deposits	42,493	16,544	16,663	24,480	2,051	3,093	3,386	18,016	126,726
Time deposits	22,964	20,731	13,840	27,855	5,101	11,086	1,694	30,611	133,882
Other deposits	73	52	458	1,048	1,291	408	146	1,033	4,509
Total	71,750	43,670	31,042	57,776	11,222	21,158	7,500	51,571	295,689
Deposits by banks	2,898	1,972	8,287	6,673	620	1,353	294	16,846	38,943
Customer accounts	68,852	41,698	22,755	51,103	10,602	19,805	7,206	34,725	256,746
	71,750	43,670	31,042	57,776	11,222	21,158	7,500	51,571	295,689
Debt securities in issue	145	679	12,608	1,695	520	45	326	17,241	33,259
Total	71,895	44,349	43,650	59,471	11,742	21,203	7,826	68,812	328,948

1 Other APR includes Malaysia: Deposits by banks $710 million; customer accounts $9,365 million; debt securities in issue $386 million

	2008								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $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	64	3,299	2,215	5,313	2,031	2,776	24,195
Interest bearing current accounts and savings deposits	27,131	9,340	14,094	22,030	1,634	2,888	2,632	13,343	93,092
Time deposits	31,471	20,875	13,187	32,725	5,313	9,574	1,335	30,726	145,206
Other deposits	52	92	1,079	727	677	1,320	75	8,062	12,084
Total	63,601	33,857	28,424	58,781	9,839	19,095	6,073	54,907	274,577
Deposits by banks	1,140	1,701	8,478	4,748	254	1,687	193	17,785	35,986
Customer accounts	62,461	32,156	19,946	54,033	9,585	17,408	5,880	37,122	238,591
	63,601	33,857	28,424	58,781	9,839	19,095	6,073	54,907	274,577
Debt securities in issue	530	1,291	12,656	1,849	622	29	145	9,947	27,069
Total	64,131	35,148	41,080	60,630	10,461	19,124	6,218	64,854	301,646

1 Other APR includes Malaysia: Deposits by banks $593 million; customer accounts $8,665 million; debt securities in issue $617 million.

The debt securities in issue held by the Company of $4,770 million (2008: $1,372 million) are within Americas, UK & Europe.

33. Other liabilities

	2009 $million	2008 $million
Financial liabilities held at amortised cost (note 14)		
Notes in circulation	3,414	3,097
Acceptances and endorsements	2,963	2,539
Cash collateral	2,136	3,765
	8,513	9,401
Non-financial liabilities		
Cash-settled share based payments	104	31
Other liabilities	7,522	7,931
	16,139	17,363

Hong Kong currency notes in circulation of $3,414 million (2008: $3,097 million) which are secured by the Hong Kong SAR government certificates of indebtedness of the same amount included in other assets (note 23).

34. Subordinated liabilities and other borrowed funds

	2009 $million	2008 $million
Subordinated loan capital – issued by subsidiary undertakings		
£675 million 5.375% undated Step Up Subordinated Notes (Callable and floating rate from 2020)	658	1,064
£600 million 8.103% Step Up Callable Perpetual Preferred Securities (Callable and floating rate from 2016)	1,164	1,085
£700 million 7.75% Subordinated Notes 2018	1,201	1,090
£300 million 6.0% Subordinated Notes 2018 (Callable and floating rate from 2013)	530	486
£300 million 6.75% Subordinated Notes 2009	—	390
£200 million 7.75% undated Step Up Subordinated Notes (Callable and floating rate from 2022)	390	360
£30 million Floating Rate Subordinated Notes 2009	—	44
€1,100 million 5.875% Subordinated Notes 2017	1,701	1,609
€750 million 3.625% Subordinated Notes 2017 (Callable and floating rate from 2012)	1,113	1,066
€675 million Floating Rate Subordinated Notes 2018 (Callable 2013)	972	951
€600 million 5.375% Subordinated Notes 2009	—	755
€500 million 8.16% non-cumulative Trust Preferred Securities (Callable 2010)	723	711
$1.5 billion 9.5% Step Up Perpetual Preferred Securities (Callable 2014)	1,509	—
$1 billion 6.4% Subordinated Notes 2017	1,101	1,203
$700 million 8.0% Subordinated Notes 2031	574	1,022
$500 million Floating Rate Subordinated Notes 2016 (Callable 2011)	499	499
$500 million Floating Rate Subordinated Notes 2015 (Callable 2010)	499	499
$350 million 4.375% Subordinated Notes 2014 (Floating rate from 2009)	—	358
$300 million Floating Rate Subordinated Notes 2017 (Callable 2012)	298	297
$100 million Floating Rate Subordinated Notes 2018 (Callable 2013)	100	100
$22 million 9.75% fixed to floating rate note 2021 (Callable 2016)	22	—
BWP 75 million Floating Rate Subordinated Notes 2017 (Callable 2012)	11	10
BWP 50 million Floating Rate Subordinated Notes 2015 (Callable 2010)	8	7
HKD 670 million Floating Rate Notes 2014	—	77
HKD 500 million 3.5% Notes 2014 (Floating rate from 2009)	—	66
IDR 500 billion Floating Rate Notes 2016	22	20
JPY 10 billion 3.35% Subordinated Note 2023 (Callable 2018)	116	116
KRW 300 billion 7.05% Subordinated debt 2019	259	—
KRW 260 billion 6.08% Subordinated debt 2018	227	219
KRW 205 billion 6.01% Subordinated debt 2009	—	158
KRW 90 billion 6.05% Subordinated debt 2018	78	81
KRW 30 billion Floating Rate Subordinated debt 2011	26	24
KRW 3 billion 6.11% Subordinated debt 2011	2	2
MYR 500 million 4.28% Subordinated Bonds 2017 (Callable 2012)	149	150
PKR 1 billion Floating Rate Notes 2013	12	13
PKR 750 million Floating Rate Notes 2011	6	9
SGD 450 million 5.25% Subordinated Notes 2023	325	334
TWD 10 billion undated Floating Rate Notes	312	305
TWD 10 billion 2.9% Subordinated debt 2019 (Callable 2014)	310	—
TZS 8 billion Floating Rate Subordinated Notes 2015	6	6
	14,923	15,186

	2009 $million	2008 $million
Subordinated loan capital – issued by company:		
Primary capital floating rate notes		
$400 million	58	58
$300 million (Series 2)	82	82
$400 million (Series 3)	84	84
$200 million (Series 4)	52	52
£150 million	242	217
Other borrowings – issued by company[1, 2]	1,289	1,307
	1,807	1,800
Total for Group	16,730	16,986
Total for Company	1,751	1,736

1 In the balance sheet of the Company the amount recognised is $1,233 million (2008: $1,243 million) with the difference being the effect of hedge accounting achieved on a Group basis.

2 Other borrowings comprise irredeemable sterling preference shares and US dollar non-cumulative redeemable preference shares.

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, $11,564 million is at fixed interest rates (2008: $11,865 million).

On 21 April 2009, Standard Chartered First Bank Korea Limited (SCFB) issued KRW300 billion Lower Tier 2 Notes with a coupon of 7.05% maturing due 2019, callable 2014.

During 2009, Standard Chartered Bank (SCB) repurchased a total of $193 million of its 8% subordinated notes due May 2031.

On 27 April 2009, £281 million fixed to floating step up subordinated notes callable 14 July 2020 issued by SCB were exchanged for £198 million senior notes due 2014 issued by Standard Chartered PLC.

On 15 June 2009, SCB issued $1.5 billion 9.5% Step up Perpetual Preferred Securities, callable 2014.

On 17 June 2009, PT Bank Permata Tbk issued $100 million subordinated notes with a coupon of 9.75% maturing June 2021, callable June 2016. The Group subscribed for $50 million of these notes. As PT Bank Permata TBk is a joint venture of the Group, on a proportionately consolidated basis, $22 million is treated as a liability for the Group.

On 28 October 2009, Standard Chartered Bank (Taiwan) Limited issued TWD10 billion subordinated notes with a fixed coupon rate of 2.9% for the first five years, 3.4% for the remaining 5 years, maturing 2019, callable 2014.

On 4 December 2009, Standard Chartered Bank (Hong Kong) Limited exercised the call option on its $350 million 4.375% subordinated notes due December 2014; HKD 500 million 3.5% subordinated notes due December 2014 and HKD 670 million floating rate notes due December 2014.

During 2009, £30 million floating rate notes, €600 million 5.375% notes, £300 million 6.75% notes and KRW205 billion subordinated debt matured.

On 30 December 2009, SCB announced the intention to redeem in full the €500 million 8.16% non-cumulative trust preferred securities on the first call date of 23 March 2010.

On 4 February 2010, SCB exercised its right to redeem its $500 million subordinated floating rate note in full on the first optional date.

35. Provisions for liabilities and charges

	Provision for credit commitments $million	*Other provisions $million*	*Total $million*
At 1 January 2009	26	114	140
Exchange translation differences	1	1	2
Acquisitions	—	—	—
Charge against profit	(2)	264	262
Provisions utilised	(3)	(217)	(220)
At 31 December 2009	22	162	184

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 charged against profit include a provision of $170 million (2008: $nil million) for the buy back of structured notes issued by the PEM Group in Taiwan and sold by Hsinchu International Bank (HIB) prior to its acquisition by the Group in 2006, which were fully utlised during the year following the buy-back of the affected notes.

36. Retirement benefit obligations

Retirement benefit obligations comprise:

	2009 $million	*2008 $million*
Defined benefit schemes obligation	498	433
Defined contribution schemes obligation	8	14
Net book amount	506	447

	2009 $million	*2008 $million*
At 1 January	447	322
Exchange translation differences	17	(55)
Acquisitions	2	47
Charge against profit (net of finance income)	138	172
Change in other comprehensive income	150	229
Net payments	(248)	(268)
At 31 December	506	447

Retirement benefit charge comprises:

	2009 $million	*2008 $million*
Defined benefit schemes	30	45
Defined contribution schemes	108	127
Charge against profit (note 8)	138	172

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 2008 by A Zegelman, Fellow of the Faculty of Actuaries, of Towers Watson Actuaries, using the projected unit method. As part of the 31 December 2008 actuarial valuation, the Trustee reviewed the life expectancy assumptions adopted. The assumptions having the most significant effect on the outcome of this valuation were:

Return from gilts	3.85% per annum
Return from return seeking assets	6.05% per annum
General increase in salaries	2.80% per annum
Rate of price inflation	2.80% per annum
Increase in pensions:	
In deferment (where applicable)	2.80% per annum
In payment[1] (pre April 1997 service)	2.60% per annum
In payment (post April 1997 service)	2.00 – 2.80% per annum

1 Applies to discretionary increases and some guaranteed increases.

Applying these assumptions, at the valuation date the market value of the assets of the Fund ($1,228 million) was sufficient to cover 89.3% of the benefits that had accrued to members. Additional contributions of $6 million were paid during 2009. Total contributions of $68 million are payable over the four years to 31 December 2013.

Contributions paid to the Fund during 2009 were $21 million (2008: $18 million) and regular contributions were set at 28% 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.

Overseas Schemes

The principal overseas defined benefit arrangements operated by the Group are in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the US.

All Schemes

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 2009. 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.

Employer contributions to defined benefit plans over 2010 are expected to be $133 million.

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 2009 were:

	Funded defined benefit schemes			
	UK Fund[1]		*Overseas Schemes[2]*	
	2009 %	*2008 %*	*2009 %*	*2008 %*
Price inflation	3.50	2.90	1.50-4.50	1.50-4.50
Salary increases	3.50	4.40	3.50-5.00	3.50-6.00
Pension increases	3.30	2.90	0.00-3.30	0.00-2.90
Discount rate	5.70	6.40	1.50-7.50	1.20-7.50
Post-retirement medical trend rate	N/A	N/A	N/A	N/A

1 The assumptions for life expectancy for the UK Fund assumes that a male member currently aged 60 will live for 26 years (2008: 27 years) and a female member 29 years (2008: 30 years) and a male member currently aged 40 will live for 29 years (2008: 28 years) and a female member 31 years (2008: 31 years) after their 60th birthday.

2 The range of assumptions shown is for the main funded defined benefit overseas schemes in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the US. These comprise over 87% of the total liabilities of funded overseas schemes.

	Unfunded schemes			
	Post-retirement medical[1]		Other[2]	
	2009 %	2008 %	2009 %	2008 %
Price inflation	3.10	2.70	1.50-7.50	1.50-9.50
Salary increases	3.10	4.00	3.50-9.00	3.50-11.00
Pension increases	N/A	N/A	0.00-3.30	0.00-2.90
Discount rate	5.75	5.50	1.50-10.00	2.00-13.00
Post-retirement medical rate	10% in 2009 reducing by 1% per annum to 5% in 2014	8% in 2008 reducing by 1% per annum to 5% in 2011	N/A	N/A

1 The post-retirement medical plan is in the US.
2 The range of assumptions shown is for the main Unfunded Schemes in Austria, India, Indonesia, Taiwan, UAE, UK and the US.

The assets and liabilities of the schemes, attributable to defined benefit members, at 31 December 2009 were:

	Funded defined benefit schemes				Unfunded schemes			
	UK Fund		Overseas schemes		Post-retirement medical		Other	
At 31 December 2009	*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	347	8.00-9.00	225	N/A	N/A	N/A	N/A
Bonds	3.85	872	2.75-7.50	184	N/A	N/A	N/A	N/A
Property	N/A	—	7.00	1	N/A	N/A	N/A	N/A
Others	8.00	259	0.50-7.50	121	N/A	N/A	N/A	N/A
Total market value of assets		1,478		531		N/A		N/A
Present value of the schemes' liabilities		(1,704)		(649)		(20)		(134)
Net pension liability		(226)		(118)		(20)		(134)

	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)

At 31 December 2007	Funded defined benefit schemes UK Fund Value $million	 Overseas schemes Value $million	Unfunded schemes Post-retirement medical Value $million	 Other Value $million
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)
At 31 December 2006				
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)

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.

The pension cost for defined benefit schemes was:

Year ending 31 December 2009	Funded defined benefit schemes UK Fund $million	 Overseas schemes $million	Unfunded schemes Post-retirement medical $million	 Other $million	Total $million
Current service cost	9	61	1	15	86
Past service cost	3	—	—	(57)	(54)
Gain on settlements and curtailments	—	(5)	—	(6)	(11)
Expected return on pension scheme assets	(83)	(29)	—	—	(112)
Interest on pension scheme liabilities	87	26	1	7	121
Total charge/(credit) to profit before deduction of tax	16	53	2	(41)	30
Gain on assets against expected return[1]	(76)	(38)	—	—	(114)
Experience loss/(gain) on liabilities	236	(4)	7	25	264
Total loss/(gain) recognised directly in statement of comprehensive income before tax	160	(42)	7	25	150
Deferred taxation	(41)	4	—	—	(37)
Total loss/(gain) after tax	119	(38)	7	25	113

1 The actual return on the UK fund assets was $159 million and on overseas scheme assets was $67 million.

The total cumulative amount recognised directly in the statement of comprehensive income before tax to date is a loss of $194 million (2008: loss of $43 million).

	Funded defined benefit schemes		Unfunded schemes		
Year ending 31 December 2008	*UK Fund $million*	*Overseas schemes $million*	*Post-retirement medical $million*	*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 against expected return[1]	203	130	—	—	333
Experience (gain)/loss on liabilities	(143)	35	—	4	(104)
Total loss recognised directly in statement of comprehensive income before tax	60	165	—	4	229
Deferred taxation	(16)	(44)	—	—	(60)
Total loss after tax	44	121	—	4	169

1 The actual return on the UK fund assets was $99 million and on overseas scheme assets was $94 million.

Year ending 31 December 2007	Funded defined benefit schemes UK Fund $million	Overseas schemes $million	Unfunded schemes Post-retirement medical $million	Other $million	Total $million
Gain on assets in excess of expected return[1]	(28)	(2)	—	—	(30)
Experience (gain)/loss on liabilities	(113)	12	2	(108)	(207)
Total (gain)/loss recognised directly in statement of comprehensive income before tax	(141)	10	2	(108)	(237)
Deferred taxation	44	—	—	27	71
Total (gain)/loss after tax	(97)	10	2	(81)	(166)
Year ending 31 December 2006					
Gain on assets in excess of expected return[2]	(23)	(27)	—	—	(50)
Experience (gain)/loss on liabilities	(90)	20	(2)	18	(54)
Total (gain)/loss recognised directly in statement of comprehensive Income before tax	(113)	(7)	(2)	18	(104)
Deferred taxation	34	3	—	1	38
Total (gain)/loss after tax	(79)	(4)	(2)	19	(66)
Year ending 31 December 2005					
Gain on assets in excess of expected return[3]	(91)	(20)	—	—	(111)
Experience loss on liabilities	256	5	—	—	261
Total loss/(gain) recognised directly in statement of comprehensive income before tax	165	(15)	—	—	150
Deferred taxation	(50)	5	—	—	(45)
Total loss/(gain) after tax	115	(10)	—	—	105

1 The actual return on the UK fund assets was $128 million and on overseas scheme assets was $34 million.
2 The actual return on the UK fund assets was $116 million and on overseas scheme assets was $50 million.
3 The actual return on the UK fund assets was $184 million and on overseas scheme assets was $48 million.

Movement in the defined benefit pension schemes and post-retirement medical deficit during the year comprise:

	Funded defined benefit schemes		*Unfunded schemes*		
Year ending 31 December 2009	*UK Fund $million*	*Overseas schemes $million*	*Post-retirement medical $million*	*Other $million*	*Total $million*
Deficit at 1 January 2009	(64)	(204)	(12)	(153)	(433)
Contributions	21	103	1	9	134
Current service cost	(9)	(61)	(1)	(15)	(86)
Past service cost	(3)	—	—	57	54
Settlement/curtailment costs	—	5	—	6	11
Other finance income/(charge)	(4)	2	(1)	(6)	(9)
Actuarial loss/(gain)	(160)	42	(7)	(25)	(150)
Acquisitions	—	(2)	—	—	(2)
Exchange rate adjustment	(7)	(3)	—	(7)	(17)
Deficit at 31 December 2009	(226)	(118)	(20)	(134)	(498)

	Funded defined benefit schemes		*Unfunded schemes*		
Year ending 31 December 2008	*UK Fund $million*	*Overseas schemes $million*	*Post-retirement medical $million*	*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)

Movement in pension schemes and post-retirement medical gross assets and obligations during the year comprise:

Year ending 31 December 2009	*Assets $million*	*Obligations $million*	*Total $million*
Deficit at 1 January 2009	1,721	(2,154)	(433)
Contributions	134	—	134
Current service cost	—	(86)	(86)
Past service cost	—	54	54
Settlement/curtailment costs	—	11	11
Interest cost	—	(121)	(121)
Expected return on scheme assets	112	—	112
Benefits paid out	(227)	227	—
Actuarial gain/(loss)	114	(264)	(150)
Acquisitions	7	(9)	(2)
Exchange rate adjustment	148	(165)	(17)
Deficit at 31 December 2009	2,009	(2,507)	(498)

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)

37. Share capital, reserves and own shares

Share capital

The authorised share capital of the Company at 31 December 2009 was $6,118 million (2008: $4,933 million) made up of 3,632 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, 100 million Non-Cumulative Preference Shares of AED 1.00 each, 100 million Non-Cumulative Preference Shares of HKD 1.00 each, 100 million Non-Cumulative Preference Shares of INR 10.00 each, 100 million Non-Cumulative Preference Shares of KRW 5,000.00 each and 100 million Non-Cumulative Preference Shares of SGD 1.00 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 2009, 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. None of the other classes of preference shares which form part of the Company's authorised share capital have been issued.

Group and Company

	Number of ordinary shares millions	*Ordinary share capital $million*	*Preference share capital $million*	*Total $million*
At 1 January 2008	1,410	705	—	705
Capitalised on scrip dividend	11	6	—	6
Shares issued	475	237	—	237
At 31 December 2008	1,896	948	—	948
Capitalised on scrip dividend	41	21	—	21
Shares issued	88	44	—	44
At 31 December 2009	2,025	1,013	—	1,013

2009

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

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

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

2008

On 16 May 2008, the Company issued 8,142,490 new ordinary shares instead of the 2007 final dividend. On 9 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 the same cash box structure as described above.

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.

Reserves

Group

Transaction costs relating to share issues deducted from reserves account total $22 million (2008: $84 million).

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is $27 million (2008: $27 million).

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.

The capital reserve represents the exchange difference on redenomination of share capital and share premium from pounds 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, which required the Company to create a merger reserve under section 612 of the Companies Act 2006. Shares were issued using this structure in 2005 and 2006 to assist in the funding of certain acquisitions, in 2008 for the shares issued by way of a rights issue and for the shares issued in 2009 in the placing. The funding raised by the 2008 rights issue and 2009 share issue was retained within the Company.

The available-for-sale reserve represents the unrealised fair value gains and losses in respect of financial assets classified as available-for-sale, net of taxation. Gains and losses are deferred in this reserve until such time as the underlying asset is sold, matures or becomes impaired.

The cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria of a cash flow hedge. Gains and losses are deferred in this reserve until such time as the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur.

The 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 comprehensive income 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.

Own shares

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

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

Number of shares	1995 Trust 2009	1995 Trust 2008	2004 Trust 2009	2004 Trust 2008	Total 2009	Total 2008
Shares purchased:						
– 9 March 2009	—	—	357,909	—	357,909	—
– 25 June 2009	4,025,000	—	—	—	4,025,000	—
– 13 November 2009	560,000	—	—	—	560,000	—
– 17 December 2009	203,000	—	—	—	203,000	—
Total	4,788,000	—	357,909	—	5,145,909	—
Shares purchased:						
– 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	—	426,898	—	3,183,194
Market price of shares purchased ($million)	99	66	4	10	103	76
Shares held at the end of the year	7,589,615	2,949,563	498,127	480,166	8,087,742	3,429,729
Maximum number of shares held during year	7,589,615		499,865		8,089,480	3,429,729

38. Minority interests

	$300m 7.267% Hybrid Tier 1 Securities $million	Other minority interests $million	Total $million
At 1 January 2008	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[1]	—	104	104
At 31 December 2008	327	228	555
Income in equity attributable to minority interests	—	14	14
Other profits attributable to minority interests	19	78	97
Recognised income and expense	19	92	111
Distributions	(22)	(65)	(87)
Other increases	—	1	1
At 31 December 2009	324	256	580

1 Other increases primarily relate to the consolidation of a private equity investment.

39. 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 $375 million (2008: $121 million) of which $275 million (2008: $152 million) relates to equity-settled awards, and $100 million (2008: $31 million credit) relates to cash-settled awards. After deferred tax, the total charge to the income statement was $340 million (2008: $89 million). The scheme lives referred to below relate to the remaining period in which options may be granted under the schemes.

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. Awards made under this scheme are not subject to the valuation criteria of IFRS 2, as all awards were granted prior to 7 November 2002, and were all vested as at that date. 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% over three consecutive years. There are no outstanding options in this scheme.

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 one year, after which options will not be granted under this scheme.

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 page 99 of the 2009 Annual Report. 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 two years.

1997/2006 Restricted Share Scheme (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. 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. Under the RSS, the value of shares awarded in any year to any individual may not exceed two times their base salary. Generally half of the award vests two years after the date of grant and the balance after three years. However, the deferred element of the 2009 annual performance award will vest in three equal tranches over one, two and three years with the RSS used wherever possible for the portion of the award vesting after two and three years. The remaining life of the scheme is seven years.

2007 Supplementary Restricted Share Scheme

The Group operates a Supplementary Restricted Share Scheme which is similar to the RSS. This scheme is principally used for Global Market employees but is also used to defer one third of an employee's deferred annual performance award which vests after one year. Otherwise half of the award vests two years after the date of grant and the balance after three years. 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 page 94 of the 2009 Annual Report. The remaining life of the plan is five years.

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. In 2008 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% 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)

A reconciliation of option movements over the year to 31 December 2009 and 2008 is shown below:

	2009		*2008*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	—	—	10,806	£6.20
Lapsed	—	—	—	—
Exercised	—	—	(10,806)	£6.20
Outstanding at 31 December	—	—	—	—

The weighted average share price at the time the options were exercised in 2008 was £17.23.

2000 Executive Share Option Scheme (2000 ESOS)

No share awards were granted during 2009 or 2008.

A reconciliation of option movements over the year to 31 December 2009 and 2008 is shown below:

	2009		*2008*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	7,485,925	£7.18	8,575,209	£8.28
Additional shares for rights issue	—	—	937,283	—
Lapsed	(5,253)	£8.19	(3,348)	£6.05
Exercised	(4,076,707)	£7.08	(2,023,219)	£7.47
Outstanding at 31 December	3,403,965	£7.29	7,485,925	£7.18
Exercisable at 31 December	3,403,965	£7.29	7,485,925	£7.18

Range of exercise price for options outstanding	*2009* Weighted average exercise price	*2009* Weighted average remaining contractual life	*2008* Weighted average exercise price	*2008* Weighted average remaining contractual life
£6.05/£9.10 (2008: £6.05/£9.10)	£7.29	3.2 years	£7.18	4.0 years

The intrinsic value of vested 2000 ESOS cash-settled awards as at 31 December 2009 was $3 million (2008: $0.8 million). The weighted average share price at the time the options were exercised during 2009 was £14.28 (2008: £17.23).

2001 Performance Share Plan (2001 PSP)

Valuation

The fair value of awards 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. As set out in the Directors' remuneration report, half the award is dependent on a TSR performance condition and half is dependent on an EPS performance condition. The fair value of the TSR component is derived by discounting 50% of the award that is subject to the TSR condition by the loss of expected dividends over the performance period, together with the probability 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% of the award by the loss of expected dividends over the performance period. In respect of the EPS component only, the number of shares expected to vest is adjusted for actual performance when calculating the charge for the year.

	2009				*2008*		
Grant date	*3 December*	*15 September*	*23 June*	*11 March*	*16 September*	*24 April*	*11 March*
Share price at grant date	£15.51	£14.44	£11.75	£8.10	£13.86	£17.82	£16.26
Vesting period (years)	3	3	3	3	3	3	3
Expected dividend yield (%)	3.43	3.43	3.41	3.41	2.60	2.60	2.60
Fair value (EPS) (£)	7.13	6.63	5.40	3.73	12.83	16.50	15.06
Fair value (TSR) (£)	2.81	2.61	2.13	1.46	5.04	6.49	5.89

The expected dividend yield is based on the historical dividend yield over the three years prior to grant.

A reconciliation of option movements over the year to 31 December 2009 and 2008 is shown below:

	2009 No. of shares	*2009* Weighted average exercise price	*2008* No. of shares	*2008* Weighted average exercise price
Outstanding at 1 January	8,458,895	—	5,885,597	—
Granted	4,583,187	—	2,625,696	—
Additional shares for rights issue	—	—	1,067,755	—
Lapsed	(528,627)	—	(105,828)	—
Exercised	(1,737,903)	—	(1,014,325)	—
Outstanding at 31 December	10,775,552	—	8,458,895	—
Exercisable at 31 December	938,782	—	683,870	—

Of the 2,475,008 options granted in 2007 and outstanding as at 31 December 2009, the EPS condition is not expected to be met on 557,372 options. As a result, it is considered that these options will not vest.

Range of exercise price for options outstanding	*2009* *Weighted average exercise price*	*2009* *Weighted average remaining contractual life*	*2008* *Weighted average exercise price*	*2008* *Weighted average remaining contractual life*
n/a	—	8.2 years	—	8.1 years

The intrinsic value of vested cash-settled awards as at 31 December 2009 was $2 million (2008: $0.3 million).

The weighted average share price at the time the options were exercised during 2009 was £11.48 (2008: £15.74).

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.

	2009					*2008*		
Grant date	*3 December*	*28 September*	*15 September*	*23 June*	*11 March*	*16 September*	*24 April*	*11 March*
Share price at grant date	£15.51	£14.98	£14.44	£11.75	£8.10	£13.86	£17.82	£16.26
Vesting period (years)	2/3	2/3	2/3	2/3	2/3	3	3	3
Expected dividend yield (%)	3.45	3.45	3.45	3.73	3.73	2.40	2.40	2.40
Fair value (£)	14.25	13.76	13.27	10.72	7.39	8.25	8.25	8.25

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 2009 and 2008 is shown below:

	2009 *No. of shares*	*2009* *Weighted average exercise price*	*2008* *No. of shares*	*2008* *Weighted average exercise price*
Outstanding at 1 January	7,285,927	—	6,275,898	—
Granted	12,675,994	—	2,137,992	—
Additional shares for rights issue	—	—	925,127	—
Lapsed	(528,860)	—	(294,595)	—
Exercised	(2,155,899)	—	(1,758,495)	—
Outstanding at 31 December	17,277,162	—	7,285,927	—
Exercisable at 31 December	1,986,203	—	1,900,102	—

The weighted average share price at the time the options were exercised during 2009 was £11.98 (2008: £15.69).

	2009		2008	
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	—	5.6 years	—	5.0 years

The intrinsic value of vested 1997/2006 RSS cash-settled awards as at 31 December 2009 was $12 million (2008: $3 million).

2007 Supplementary Restricted Share Scheme (2007 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.

	2009				2008	
Grant date	*3 December*	*15 September*	*23 June*	*11 March*	*16 September*	*11 March*
Share price at grant date	£15.51	£14.44	£11.75	£8.10	£13.86	£16.26
Vesting period (years)	2/3	2/3	2/3	2/3	2/3	2/3
Expected dividend yield (%)	3.45	3.45	3.73	3.73	2.4	2.4
Fair value (£)	14.25	13.27	10.72	7.39	13.06	12.41

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 2009 is shown below:

	2009		2008	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	2,442,096	—	187,602	—
Granted	5,172,293	—	2,020,181	—
Additional shares for rights issue	—	—	307,805	—
Lapsed	(51,909)	—	(45,549)	—
Exercised	(147,948)	—	(27,943)	—
Outstanding at 31 December	7,414,532	—	2,442,096	—
Exercisable at 31 December	53,580	—	—	–

Range of exercise price for options outstanding	*2009* Weighted average exercise price	*2009* Weighted average remaining contractual life	*2008* Weighted average exercise price	*2008* Weighted average remaining contractual life
n/a	—	5.9 years	—	6.2 years

The weighted average share price at the time the options were exercised during 2009 was £14.62 (2008: £nil).

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 2009 and 2008 is shown below:

	2009		*2008*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	162,982	£5.61	561,107	£5.82
Additional shares for rights issue	—	—	36,060	—
Lapsed	—	—	(227,613)	£4.92
Exercised	(127,062)	£5.61	(206,572)	£5.35
Outstanding at 31 December	35,920	£5.61	162,982	£5.61
Exercisable at 31 December	35,920	£5.61	162,982	£5.61

Range of exercise price for options outstanding	*2009* Weighted average exercise price	*2009* Weighted average remaining contractual life	*2008* Weighted average exercise price	*2008* Weighted average remaining contractual life
£5.61	£5.61	0 years	£5.61	0.3 years

The weighted average share price at the time the options were exercised was £10.86 (2008: £13.89) for 1994 UK Sharesave Schemes and £10.28 (2008: £13.89) for 1996 International Sharesave schemes.

The intrinsic value of vested 1994/1996 UK and International Sharesave cash-settled awards as at 31 December 2009 was $nil million (2008: $0.1 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	*2009* *5 October*	*2008* *29 September*
Share price at grant date	£14.92	£14.52
Exercise price	£11.46	£11.62
Vesting period (years)	3/5	3/5
Expected volatility (%)	52.9/42.6	39.6/48.7
Expected option life (years)	3.33/5.33	3.33/5.33
Risk free rate (%)	1.8/2.5	2.32/2.53
Expected dividend yield (%)	3.3/3.2	2.5/2.73
Fair value (£)	5.9/5.8	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 2009 and 2008 is shown below:

	2009		*2008*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	14,290	£10.18	—	—
Granted	4,581	£11.46	12,510	£10.18
Additional shares for rights issue	—	—	1,780	—
Lapsed	—	—	—	—
Exercised	—	—	—	—
Outstanding at 31 December	18,871	£10.48	14,290	£10.18
Exercisable at 31 December	—	—	—	—

	2009		*2008*	
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*
£10.18 – £11.46	£10.48	3.6 years	£10.18	5.3 years

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:

	2009		2008	
Grant date	*9 October*	*5 October*	*3 October*	*16 September*
Share price at grant date	£15.57	£14.92	£14.52	£14.52
Exercise price	£11.46	£11.46	£11.62	£11.62
Vesting period (years)	3/5	3/5	3/5	3/5
Expected volatility (%)	52.9/43.7	52.9/42.6	39.6/48.7	39.6/48.7
Expected option life (years)	3.33/5.33	3.33/5.33	3.33/5.33	3.33/5.33
Risk free rate (%)	1.8/2.5	1.8/2.5	2.32/2.53	2.32/2.53
Expected dividend yield (%)	3.3/3.2	3.3/3.2	2.5/2.73	2.5/2.73
Fair value (£)	6.4/6.2	5.9/5.8	2.99/3.04	2.99/3.04

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 2009 and 2008 is shown below:

	2009		2008	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	20,229,858	£9.69	14,266,731	£10.91
Granted	3,881,940	£11.46	6,241,929	£10.18
Additional shares rights issue	—	—	2,579,391	—
Lapsed	(2,160,450)	£10.26	(2,574,039)	£10.14
Exercised	(4,484,911)	£8.81	(284,154)	£7.04
Outstanding at 31 December	17,466,437	£10.28	20,229,858	£9.69
Exercisable at 31 December	2,018,787	£9.17	3,588,924	£9.69

	2009		2008	
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/£11.46	£10.28	2.2 years	£9.69	1.9 years

The weighted average share price at the time the options were exercised during 2009 was £14.16 (2008: £13.92) for the UK Sharesave Scheme and £12.73 (2008: £13.92) for the International Sharesave Scheme.

The intrinsic value of vested UK and International Sharesave cash-settled awards as at 31 December 2009 was $7 million (2008: $0.4 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 2009 and 2008 is shown below:

	2009 No. of shares	*2008 No. of shares*
Outstanding at 1 January	352,857	351,340
Shares vested	(347,836)	(324,002)
Shares awarded	352,633	307,760
Additional shares for rights issue	—	43,756
Shares lapsed	(7,073)	(25,997)
Outstanding at 31 December	350,581	352,857

Notes:

a) The market value of shares on the date of awards (6 March 2009) was £6.98 (2008: £16.45).

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

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

40. Cash flow statement

Adjustment for non-cash items and other accounts

	Group		*Company*	
	2009 $million	*2008[1] $million*	*2009 $million*	*2008[1] $million*
Depreciation and amortisation	520	425	—	—
Gain on disposal of property, plant and equipment	(40)	(10)	—	—
Gain on disposal of investment securities and loan and receivable financial assets	(592)	(322)	—	—
Gain arising on repurchase of subordinated liabilities	(264)	(384)	—	(384)
Gain arising on initial recognition and partial sale of Visa Inc. shares	—	(17)	—	—
Writedowns relating to asset backed securities	4	49	—	—
Movement in fair value hedges on available-for-sale assets	6	26	—	—
Amortisation of discounts and premiums of investment securities	(762)	(390)	—	—
Pension costs for defined benefit schemes	30	45	—	—
Impairment losses on loans and advances and other credit risk provisions	2,000	1,321	—	—
Dividend income from subsidiaries	—	—	(331)	(1,880)
Other impairment	102	469	—	—
Profit from associates	(21)	—	—	—
Loss/(gain) on sale of businesses	2	(146)	—	—
Recoveries of acquisition fair values and discount unwind	(101)	(120)	—	—
Interest expense on subordinated liabilities	501	1,049	103	184
Total	1,385	1,995	(228)	(2,080)

1 Amounts have been restated as explained in note 50.

Change in operating assets

	Group		Company	
	2009 *$million*	*2008*[1] *$million*	*2009* *$million*	*2008* *$million*
Decrease/(increase) in derivative financial instruments	32,293	(47,138)	(291)	—
Net (increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	(6,331)	7,590	—	—
Net increase in loans and advances to banks and customers	(21,801)	(39,160)	—	—
Decrease in pre-payments and accrued income	286	213	2	—
(Increase)/decrease in other assets	(1,485)	(9,608)	62	62
Total	2,962	(88,103)	(227)	62

1 Amounts have been restated as explained in note 50.

Change in operating liabilities

	Group		Company	
	2009 *$million*	*2008*[1] *$million*	*2009* *$million*	*2008* *$million*
(Decrease)/increase in derivative financial instruments	(31,941)	44,943	(1)	26
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	21,398	59,798	3,398	1,372
(Decrease)/increase in accruals and deferred income	(121)	1,025	(12)	(63)
(Decrease)/increase in other liabilities	(555)	147	318	(40)
Total	(11,219)	105,913	3,703	1,295

1 Amounts have been restated as explained in note 50.

41. 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*	
	2009 $million	*2008 $million*	*2009 $million*	*2008 $million*
Cash and balances at central banks	18,131	24,161	—	—
Less restricted balances	(4,971)	(4,615)	—	—
Treasury bills and other eligible bills	7,748	9,303	—	—
Loans and advances to banks	37,127	33,913	—	—
Trading securities	10,038	10,937	—	—
Amounts owed by and due to subsidiary undertakings	—	—	5,798	5,303
Total	68,073	73,699	5,798	5,303

42. Capital commitments

Capital expenditure approved by the directors but not provided for in these accounts amounted to:

	2009 $million	*2008 $million*
Contracted	36	46

43. Operating lease commitments

	2009		*2008*	
	Premises $million	*Equipment $million*	*Premises $million*	*Equipment $million*
Commitments under non-cancellable operating leases expiring:				
Within one year	271	8	258	2
Later than one year and less than five years	477	11	470	2
After five years	487	—	509	—
	1,235	19	1,237	4

During the year $277 million (2008: $240 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 2009 is $4 million (2008: $5 million).

44. 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.

	2009 $million	*2008 $million*
Contingent liabilities[1]		
Guarantees and irrevocable letters of credit	28,731	28,051
Other contingent liabilities	9,927	11,494
	38,658	39,545
Commitments[1]		
Documentary credits and short term trade-related transactions	6,695	5,270
Forward asset purchases and forward deposits placed	874	40
Undrawn formal standby facilities, credit lines and other commitments to lend:		
One year and over	20,616	14,450
Less than one year	20,729	14,903
Unconditionally cancellable	45,344	42,388
	94,258	77,051
Risk weighted amount:		
Contingent liabilities	13,422	12,827[2]
Commitments	8,856	6,967[2]

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

2 Amounts have been adjusted to present consistency with 2009, as a result of continuing refinements in Basel II. This has not had an impact on the Group's total risk weighted assets.

Contingent liabilities

Where the Group undertakes to make a payment on behalf of its customers for guarantees issued, such as for performance bonds or as irrevocable letters of credit as part of the Group's transaction banking business for which an obligation to make a payment has not arisen at the reporting date, it is included in these financial statements as a Contingent liability.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs officials, for bids or offers and as shipping guarantees.

Commitments

Where the Group has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees whether cancellable or not or letters of credit and the Group has not made payments at the balance sheet date, those instruments are included in these financial statements as commitments.

45. 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

	2009 Reverse repurchase agreements $million	*2008 Reverse repurchase agreements $million*
Banks	1,192	1,578
Customers	1,603	4,833
	2,795	6,411

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:

	2009 $million	*2008 $million*
Securities and collateral which can be repledged or sold (at fair value)	2,624	5,707
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)	1,696	4,030

Balance sheet liabilities

	2009 Repurchase agreements $million	*2008 Repurchase agreements $million*
Banks	1,567	5,053
Customers	380	5,177
	1,947	10,230

Collateral pledged against these liabilities is disclosed in note 18 and note 22. 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.

46. Liquidity risk

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

The Risk review on pages 44 to 67 of the 2009 Annual Report explains the Group's and Company's risk management with respect to asset and liability management.

	2009				
	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	13,160	—	—	4,971	18,131
Derivative financial instruments	9,891	7,508	16,207	4,587	38,193
Loans and advances to banks[1]	37,127	14,182	1,289	335	52,933
Loans and advances to customers[1]	63,162	34,939	44,406	59,296	201,803
Investment securities[1]	18,939	30,185	32,967	10,524	92,615
Other assets	5,755	710	49	26,464	32,978
Total assets	148,034	87,524	94,918	106,177	436,653
Liabilities					
Deposits by banks[1]	34,721	2,967	1,140	115	38,943
Customer accounts[1]	230,332	22,198	3,971	245	256,746
Derivative financial instruments	8,644	7,969	15,757	4,214	36,584
Debt securities in issue[1]	11,390	9,134	11,059	1,676	33,259
Other liabilities	13,182	1,089	178	12,022	26,471
Subordinated liabilities and other borrowed funds	723	—	562	15,445	16,730
Total liabilities	298,992	43,357	32,667	33,717	408,733
Net liquidity gap	(150,958)	44,167	62,251	72,460	27,920

1 Amounts include financial instruments held at fair value through profit or loss (see note 14).

	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[2]	33,913	11,749	2,132	152	47,946
Loans and advances to customers[2]	63,829	27,541	38,044	49,098	178,512
Investment securities[2]	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[2]	31,168	3,382	1,359	77	35,986
Customer accounts[2]	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[2]	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

2 Amounts include financial instruments held at fair value through profit or loss (see note 14).

The Company has financial assets of $2,475 million (2008 : $925 million) and financial liabilities of $1,504 million (2008: $2,835 million) maturing in five years or more.

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

Behavioural maturity of financial liabilities on a discounted basis

As discussed in the Risk review on pages 44 to 67 of the 2009 Annual Report the Group seeks to manage its liabilities both on a contractual and behavioural basis primarily by matching the maturity profiles of assets and liabilities. The cash flows presented in the tables above reflect the cash flows which will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short term customer accounts, extend to a longer period than their contractual maturity. The Group's expectation of when such liabilities are likely to become payable is provided in the table below:

	2009[1]				
Group	*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*
Deposits by banks	34,764	3,252	812	115	38,943
Customer accounts	128,958	53,844	44,032	29,912	256,746
Total	163,722	57,096	44,844	30,027	295,689

1 As permitted by IFRS 7: Financial Instruments: Disclosure no comparatives have been presented.

Financial liabilities excluding derivative financial instruments on an undiscounted basis

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 $3,583 million (2008: $4,309 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.

	2009				*2008*			
Group	*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	34,548	2,930	982	84	28,449	3,612	1,160	205
Customer accounts	219,763	25,469	4,351	536	208,355	22,792	4,698	1,628
Financial liabilities at fair value	8,763	2,644	2,508	1,676	9,396	2,212	3,438	1,885
Debt securities in issue	9,012	6,976	5,893	5,336	12,572	5,870	4,921	6,405
Subordinated liabilities and other borrowed funds	1,437	985	7,072	22,851	156	2,353	6,046	20,876
Other liabilities	14,838	1,046	387	7,991	13,258	1,903	170	7,065
Total liabilities	288,361	40,050	21,193	38,474	272,186	38,742	20,433	38,064
Gross loan commitments	45,910	12,751	18,552	539	40,005	9,871	13,265	1,053

Company	2009 Three months or less $million	2009 Between three months and one year $million	2009 Between one year and five years $million	2009 More than five years $million	2008 Three months or less $million	2008 Between three months and one year $million	2008 Between one year and five years $million	2008 More than five years $million
Debt securities in issue	52	206	1,083	4,405	—	54	90	1,317
Subordinated liabilities and other borrowed funds	2	109	670	1,957	—	118	723	1,940
Other liabilities	—	—	—	138	863	—	—	—
Total liabilities	54	315	1,753	6,500	863	172	813	3,257

Derivative financial instruments on an undiscounted basis

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.

Group	2009 Three months or less $million	2009 Between three months and one year $million	2009 Between one year and five years $million	2009 More than five years $million	2008 Three months or less $million	2008 Between three months and one year $million	2008 Between one year and five years $million	2008 More than five years $million
Derivative financial instruments	224,831	119,179	119,009	17,328	529,175	251,250	138,445	17,593

Company	2009 Three months or less $million	2009 Between three months and one year $million	2009 Between one year and five years $million	2009 More than five years $million	2008 Three months or less $million	2008 Between three months and one year $million	2008 Between one year and five years $million	2008 More than five years $million
Derivative financial instruments	12	36	279	—	26	—	—	—

47. Currency risk

Foreign exchange risk is managed and measured as set out in the Market risk section of the Risk review on pages 62 to 65 of the 2009 Annual Report.

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 2009, the Group had taken net investment hedges of $644 million (2008: $600 million) to partly cover its exposure to Korean won and $94 million (2008: $nil million) to partly cover its exposure to Taiwanese dollars.

The table below sets out the principal structural foreign exchange exposures (net of investment hedges) of the Group at 31 December 2009 and 2008:

	2009 *$million*	*2008* *$million*
Hong Kong dollar	5,852	4,985
Korean won	5,133	4,469
Indian rupee	2,828	2,369
Taiwanese dollar	2,071	2,112
Thai baht	1,291	991
UAE dirham	1,008	1,075
Singapore dollar	986	532
Malaysian ringgit	834	731
Chinese yuan	795	883
Indonesian rupiah	595	428
Pakistani rupee	562	563
Other	2,293	1,985
	24,248	21,123

An analysis has been performed on these exposures to assess the impact of a one% 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 $176 million (2008: $143 million). Changes in the valuations of these positions are taken to reserves.

The Company's assets and liabilities are mainly in US dollars. It has assets of $4,309 million (2008: $1,633 million) and liabilities of $4,270 million (2008: $782 million) denominated in currencies other than US dollars.

48. Credit risk

Maximum exposure to credit risk

The tables below present the Group and Company's maximum exposure to credit risk of their balance sheet and off-balance sheet financial instruments at 31 December 2009, 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.

As set out in note 18, 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, $30,539 million (2008: $45,896 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.

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 are contained within the Risk review on page 52 of the 2009 Annual Report.

The Group's maximum exposure to credit risk has increased by $21 billion compared to 2008, primarily due to growth in lending to banks and customers and credit commitments, offset by a decline in derivatives. Growth in lending of $28.4 billion was split between loans to banks, which increased $4.9 billion, Consumer Banking, which increased by $13.9 billion compared to 2008 as mortgage balances increased, and Wholesale Banking, which increased $9.6 billion largely through increased lending to the Transport and Commerce sectors. Credit commitments increased $12.0 billion as corporate credit lines were increased. Offsetting this, derivatives declined $31.5 billion, driven by reduced volatility as notionals remained largely flat.

Group	*2009 $million*	*2008 $million*
Financial assets held at fair value through profit or loss[1]	21,229	14,800
Derivative financial instruments	38,193	69,657
Loans and advances to banks and customers	249,177	220,761
Investment securities[1]	74,079	67,749
Contingent liabilities	38,658	39,545
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	41,345	29,353
	462,681	441,865

1 Excludes equity shares.

Company	*2009 $million*	*2008 $million*
Derivative financial instruments	291	—
Debt Securities	2,725	925
Amounts owed by subsidiary	5,798	5,303
	8,814	6,228

Summary analysis of the loan portfolio

	2009				*2008*			
	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	154	492	1,159	1,651	18	519	812	1,331
Past due but not impaired loans	2	3,389	538	3,927	53	4,391	791	5,182
Neither past due nor impaired loans	52,779	90,702	106,397	197,099	47,881	75,754	96,896	172,650
Total loans and advances	52,935	94,583	108,094	202,677	47,952	80,664	98,499	179,163
Portfolio impairment provision	(2)	(519)	(355)	(874)	(6)	(449)	(202)	(651)
	52,933	94,064	107,739	201,803	47,946	80,215	98,297	178,512
Of which:								
Loans and advances held at fair value	2,048	—	3,511	3,511	1,363	—	4,334	4,334

The Company has loans neither past due nor impaired of $5,798 million (2008: $2,706 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 20 and 21.

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.

Individual impairment provisions are generally raised at 90 days past due, with the exception of mortgages in Consumer Banking, where individual impairment provisions are raised after 150 days past due. Individual impaired loans for Consumer Banking will therefore not equate to those loans reported as non-performing on page 57 of the 2009 Annual Report. As described on page 56 of the

2009 Annual Report prior to the raising of an individual impairment provision, impairment on these loans is captured within the portfolio impairment provision.

	2009				2008			
	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	2	2,522	369	2,891	44	3,268	566	3,834
Between 31 – 60 days past due	—	406	98	504	—	515	75	590
Between 61 – 90 days past due	—	239	71	310	—	283	150	433
Between 91 – 150 days past due	—	222	—	222	9	325	—	325
	2	3,389	538	3,927	53	4,391	791	5,182
Estimated fair value of collateral held	—	1,980	458	2,438	—	1,961	185	2,146

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 in the Risk Review on page 51 of the 2009 Annual Report. The banding reflects management's segmentation of the credit risk grades.

The increase in loans and advances to banks compared to 2008 is a result of the placement of excess liquidity with high quality sovereign and bank counterparties: the credit grade profile of this portfolio is largely unchanged from 2008 to 2009.

The credit grade profile of Consumer Banking loans to customers has improved since 2008, with a larger proportion of the portfolio in credit grades 1 to 5. This is primarily a result of the business strategy to focus on high quality client segments for new bookings. The increase in grade 12 loans is as a result of higher rates of credit grade migration experienced on the existing book which was a feature of slowing economic conditions.

There was also some credit grade migration amongst Wholesale banking customers in 2009, as the impact of the economic recession became more evident in the Company's footprint markets; however the pace of grade migration slowed in the latter part of the year. The $1.6 billion increase in credit grade 12 loans was largely concentrated in the Middle East.

Total loans and advances neither past due or impaired	2009 Loans to banks $million	2009 Loans to customers – Consumer Banking $million	2009 Loans to customers – Wholesale Banking $million	2009 Total loans to customers $million	2008 Loans to banks $million	2008 Loans to customers – Consumer Banking $million	2008 Loans to customers – Wholesale Banking $million	2008 Total loans to customers $million
Grades 1 – 5								
– at amortised cost	45,342	44,158	41,719	85,877	41,864	33,212	41,134	74,346
– at fair value	1,192	—	2,092	2,092	710	—	3,888	3,888
Grades 6 – 8								
– at amortised cost	4,630	21,570	37,505	59,075	4,066	19,969	35,604	55,573
– at fair value	855	—	870	870	649	—	239	239
Grades 9 – 11								
– at amortised cost	729	22,728	21,628	44,356	575	21,294	15,400	36,694
– at fair value	1	—	549	549	4	—	207	207
Grade 12								
– at amortised cost	30	2,246	2,034	4,280	13	1,279	424	1,703
Total – at amortised cost	50,731	90,702	102,886	193,588	46,518	75,754	92,562	168,316
Total – at fair value	2,048	—	3,511	3,511	1,363	—	4,334	4,334
Grand Total	52,779	90,702	106,397	197,099	47,881	75,754	96,896	172,650
Of which: renegotiated loans	—	687	1,397	2,084	—	682	365	1,047

Loans and advances neither past due nor impaired continued

Renegotiated loans in the above table represent the carrying amount of loans that would otherwise be past due or impaired if their terms had not been renegotiated. Although not considered to be non-performing in nature, these loans continue to be monitored in the same way as non-performing loans until a minimum number of payments have been received under the new terms.

Within Wholesale Banking, renegotiated loans increased by $1 billion compared to 2008, primarily arising in the Middle East within the financing and real estate sectors.

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.

	2009 Consumer Banking $million	2009 Wholesale Banking $million	2009 Total $million	2008 Consumer Banking $million	2008 Wholesale Banking $million	2008 Total $million
Property	135	7	142	150	1	151
Debt securities and equity shares	—	2	2	2	4	6
Guarantees	25	—	25	28	—	28
Other	91	42	133	54	1	55
	251	51	302	234	6	240

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

	2009			*2008*		
	Debt securities $million	*Treasury bills $million*	*Total $million*	*Debt securities $million*	*Treasury bills $million*	*Total $million*
Impaired securities	231	—	231	185	106	291
Impairment provisions	(191)	—	(191)	(158)	(1)	(159)
Net impaired securities	40	—	40	27	105	132
Securities neither past due nor impaired	65,192	24,517	89,709	57,405	19,315	76,720
	65,232	24,517	89,749	57,432	19,420	76,852
Of which:						
Held at fair value	10,111	5,559	15,670	6,396	2,707	9,103

The Company has $2,725 million (2008: $925 million) of debt securities, issued by Standard Chartered Bank, a wholly owned subsidiary undertaking.

Movements in provisions on impaired securities are disclosed in note 22. The impaired debt securities largely include the Group's holdings of ABS CDOs, on which a $73 million (2008: $41 million) impairment charge was taken in 2009.

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 $30 million (2008: $22 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.

Securities neither past due nor impaired

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

	2009			*2008*		
	Debt securities $million	*Treasury bills $million*	*Total $million*	*Debt securities $million*	*Treasury bills $million*	*Total $million*
AAA	10,706	630	11,336	9,551	18	9,569
AA- to AA+	21,246	9,618	30,864	22,522	5,269	27,791
A- to A+	17,770	10,757	28,527	14,361	10,862	25,223
BBB- to BBB+	7,243	1,930	9,173	4,939	2,246	7,185
Lower than BBB-	2,422	1,193	3,615	2,367	615	2,982
Unrated	5,805	389	6,194	3,665	305	3,970
	65,192	24,517	89,709	57,405	19,315	76,720

Unrated securities primarily relate to corporate issues. Using internal credit ratings, $5,674 million (2008: $3,525 million) of these securities are considered to be investment grade and $520 million (2008: $445 million) sub-investment grade.

Derivative financial instruments

The Group measures all derivatives at fair value with the gains or losses on derivatives taken to income, except where derivatives are used as hedging instruments for cash flow hedges where the effective portion of the hedge is taken through to cash flow hedge reserve. The credit quality of derivative assets is assessed and monitored on a regular basis. The Group mitigates credit risk on derivative assets where possible through netting arrangements as set out on page 52 of the 2009 Annual Report. Where netting agreements are not in place the Group obtains collateral from counter parties depending on the nature of transaction or the credit worthiness of the counter party. Collateral obtained is normally cash or liquid government securities.

49. 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 18).

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

	2009		*2008*	
	Total assets $million	*Maximum exposure $million*	*Total assets $million*	*Maximum exposure $million*
Portfolio management vehicles	1,694	339	1,694	252
Principal Finance Funds[1]	988	130	898	124
AEB Funds	—	—	2,487	4
Structured Finance	—	—	290	—
	2,682	469	5,369	380

1 Committed capital for these funds is $375 million (2008: $375 million) of which $130 million (2008: $124 million) has been drawn down net of provisions for impairment of $33 million (2008: $nil million).

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.

Following the acquisition of AEB, the Group was also the investment manager for a number of AEB's investment funds, in which it had a limited amount of capital invested. During 2009 these funds were sold and at 31 December 2009 the Group had no capital invested in these funds.

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.

50. Restatement of prior periods

None of the following restatements impacted the Group balance sheet as at 1 January 2008 and accordingly no balance sheet has been presented for that period.

At 31 December 2009 the Group has early adopted the amendment to IAS 32 Financial Instruments in advance of its effective date as explained in note 14.

The impact of this change has been to reclassify the $233 million gain and associated tax of $66 million in respect of the rights issue option recognised in the income statement in the 2008 Annual Report into equity in these financial statements. Details of the restatement are set out below:

	As reported at 2008 $million	*Adjustment $million*	*Restated at 2008 $million*
Group			
Income statement			
Profit before taxation	4,801	(233)	4,568
Taxation	1,290	(66)	1,224
Profit attributable to parent company shareholders	3,408	(167)	3,241
Profit attributable to ordinary shareholders	3,298	(167)	3,131
Basic earnings per share (cents)	202.4	(10.3)	192.1
Diluted earnings per share (cents)	201.3	(10.2)	191.1
Statement of changes in equity			
Merger reserve	5,450	167	5,617
Retained earnings	12,853	(167)	12,686
Cash flow statement			
Profit before taxation	4,801	(233)	4,568
Non-cash items in income statement	1,762	233	1,995
Company			
Statement of changes in equity			
Merger reserve	5,450	167	5,617
Retained Earnings	2,109	(167)	1,942
Cash flow statement			
Profit before taxation	2,476	(233)	2,243
Non-cash items in income statement	(2,313)	233	(2,080)

Cash flow statement

Following an amendment to IAS 7 Cash flow statements, cash paid to acquire assets leased to customers is required to be presented as part of cash flow from operating activities and not cash flows from investing activities. In addition, the contribution to defined benefit schemes has been presented separately. Details of the representation are set out below:

	As reported at 2008 $million	*Adjustment $million*	*Restated at 2008 $million*
Change in operating assets	(87,251)	(852)	(88,103)
Purchase of property, plant and equipment	(1,431)	852	(579)
Change in operating liabilities	105,810	103	105,913
Contributions to defined benefit schemes	8	(103)	(95)

Entity-wide information

By Geography

In 2009 the Group has re-aligned its geographic reporting with underlying organisational changes to better reflect asset and income distribution and management. In order to facilitate a more meaningful comparison, the 2008 numbers in the geography segmental information have been restated so as to be on a consistent basis with 2009. The Group has a Global Booking Unit (GBU) within its Wholesale

Banking business which comprises the private equity portfolio, portfolio management and some Financial Markets (FM) products. In 2008 income and expenses related to the private equity portfolio were reported in the geography of the underlying investment and the remainder of the GBU was reported within Americas, UK & Europe. In 2009, the income and expenses on both the private equity portfolio and FM products in the GBU have been allocated, the latter to geographies where dealers are based. Portfolio management continues to be reported within Americas, UK & Europe.

In addition, the Group has changed the basis of reporting total assets employed. In 2008, the 'total assets employed' included both the balances between the entities within the same geography (intra-geography) as well as those across geographies (inter-geography). In 2009, the intra-geography balances are eliminated. The 2008 total assets employed have therefore been restated to be consistent. As a result of the change the distribution of assets held centrally to geographies also changed. The 2008 margins have been restated utilising the revised assets employed.

	Reported at 31 December 2008								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe $million*	*Total $million*
Net trading income	369	468	191	694	350	258	166	(91)	2,405
Other income	1,898	958	1,385	2,259	1,396	1,476	743	1,448	11,563
Operating income	2,267	1,426	1,576	2,953	1,746	1,734	909	1,357	13,968
Operating expenses	(1,017)	(637)	(955)	(1,721)	(646)	(813)	(564)	(1,258)	(7,611)
Operating profit before impairment losses and taxation	1,250	789	621	1,232	1,100	921	345	99	6,357
Impairment losses and share of profits from associates	(236)	(45)	(263)	(534)	(157)	(185)	(33)	(336)	(1,789)
Profit before taxation	1,014	744	358	698	943	736	312	(237)	4,568
Net interest margin (%)	2.1	0.8	2.5	2.4	3.4	3.0	4.4	0.4	2.5
Total assets employed	76,162	57,422	70,438	82,667	31,362	38,194	12,154	147,934	516,333

	Restatement								
	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe $million*	*Total $million*
Net trading income	(12)	(109)	(29)	7	(52)	(76)	1	270	—
Operating income	(12)	(109)	(29)	7	(52)	(76)	1	270	—
Operating expenses	(13)	(27)	—	—	—	(8)	—	48	—
Profit before taxation	(25)	(136)	(29)	7	(52)	(84)	1	318	—
Net interest margin (%)	—	0.5	(0.2)	—	0.1	0.7	0.1	0.7	—
Total assets employed	1,465	(6,176)	(6,088)	(474)	907	(3,830)	(50)	(17,211)	(31,457)

Restated at 31 December 2008

	Asia Pacific								
	Hong Kong $million	*Singapore $million*	*Korea $million*	*Other Asia Pacific $million*	*India $million*	*Middle East & Other S Asia $million*	*Africa $million*	*Americas UK & Europe $million*	*Total $million*
Net trading income	357	359	162	701	298	182	167	179	2,405
Other income	1,898	958	1,385	2,259	1,396	1,476	743	1,448	11,563
Operating income	2,255	1,317	1,547	2,960	1,694	1,658	910	1,627	13,968
Operating expenses	(1,030)	(664)	(955)	(1,721)	(646)	(821)	(564)	(1,210)	(7,611)
Operating profit before impairment losses and taxation	1,225	653	592	1,239	1,048	837	346	417	6,357
Impairment losses and share of profits from associates	(236)	(45)	(263)	(534)	(157)	(185)	(33)	(336)	(1,789)
Profit before taxation	989	608	329	705	891	652	313	81	4,568
Net interest margin (%)	2.1	1.3	2.3	2.4	3.5	3.7	4.5	1.1	2.5
Total assets employed	77,627	51,246	64,350	82,193	32,269	34,364	12,104	130,723	484,876

None of these restatements impacted the Group balance sheet as at 1 January 2008.

51. 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 94 to 109 of the 2009 Annual Report.

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.

	2009 $million	*2008 $million*
Salaries, allowances and benefits in kind	16	20
Pension contributions	6	6
Bonuses paid or receivable	9	18
Share based payments	37	25
	68	69

Transactions with directors, officers and others

At 31 December 2009, the total amounts to be disclosed under the Companies Act 2006 (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:

	2009		*2008*	
	Number	*$ 000*	*Number*	*$ 000*
Directors	1	13	2	635
Officers[1]	5	7,240	3	7,898

1 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, who was an independent non-executive director of Standard Chartered PLC until 31 July 2009, is Chairman and Group CEO of the Bharti Enterprises Group. Due to his significant voting power in the Bharti Enterprises Group, it was a related party of Standard Chartered PLC until 31 July 2009. As at 31 July 2009, the Group had loans to the Bharti Enterprises Group of $59 million (31 December 2008: $137 million), guarantees of $35 million (31 December 2008: $39 million) and foreign exchange deals with a notional value of $102 million (31 December 2008: $103 million).

As at 31 December 2009, Standard Chartered Bank had created a charge over $31 million (2008: $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.

Associates

The Group has amounts due from Merchant Solutions totalling $32 million at 31 December 2009 (2008: $nil million). Except as disclosed, the Group did not have any amounts due to or from associate investments.

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling $3 million at 31 December 2009 (2008: $5 million), and deposits of $16 million (2008: $16 million). The Group has loans and advances with SC Caps totalling $12 million (2008: $12 million). The Group has investments in subordinated debt issued by PT Bank Permata Tbk of $50 million (2008: $nil million).

Company

The Company has received $171 million (2008: $105 million) of interest income from Standard Chartered Bank. The Company issues debt externally and lends the proceeds to Group companies. At 31 December 2009, it had loans to and debt instruments issued by Standard Chartered Bank of $5,038 million (2008: $3,036 million), derivative financial assets of $291 million (2008: $nil million) and derivative financial liabilities of $25 million (2008: $26million) with Standard Chartered Bank, loans of $1,737 million (2008: $1,724 million) to Standard Chartered Holdings Limited, and loans of $27 million (2008: $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. Effective 1 January 2009, the Company agreed to pay a rebate of $144 million to SCSBM relating to the unamortised portion of the license in respect of the licensing rights for certain jurisdictions, which were withdrawn by the Company. At 31 December 2009, $109 million (2008: $271 million) has been included as deferred income in the Company balance sheet in relation to this licence. On 1 January 2009 the Company re-issued the rights to license these jurisdictions to Standard Chartered Bank for a nominal consideration.

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.

52. 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.

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

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 14 and 15 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, and for unlisted securities, is not active, 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 2009, Level 3 assets with a market value of $2,036 million were held in respect of which there was no observable market data. For these instruments, a sensitivity analysis is presented in note 14 in respect of reasonably possible changes to the valuation assumptions.

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.

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.

Pensions

Actuarial assumptions are made in valuing future defined benefit pension obligations as set out in note 36 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 $55 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 5% (or decreased by 5%), the fair values for options granted under the Sharesave schemes in 2009 would increase by approximately £0.37 for three year grants, and by £0.43 for five year grants (or decrease by approximately £0.37 for three year grants, and by £0.43 for five year grants).

53. Recently issued accounting pronouncements

The following pronouncements relevant and applicable to the Group and Company were issued as at 31 December 2009 but have effective dates for periods beginning after 31 December 2009. The use of IFRSs and certain IFRIC Interpretations that have yet to be endorsed by the European Union is not permitted.

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the Group; other than IFRS 9 – Financial Instruments none of these pronouncements are expected to result in any material adjustments to the financial statements. The Group continues to evaluate the potential impact on its financial statements in respect of IFRS 9.

Pronouncement	*Description of impact*	*Latest effective date for the Group and Company*
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% of the goodwill of an acquired entity in a partial acquisition.	1 January 2010
Amendment to IFRS 2 Share-based Payment	The amendments clarify that where employees in a subsidiary are given share options in the parent company's shares the subsidiary would account for those options as equity settled in its separate financial statements.	1 January 2010
Amendment to IAS 39 – Financial Instruments: Hedging	The amendment clarifies the 'portions' of cash flows or fair values that can be hedged.	1 January 2010
Improvements (issued 2009)[1]	Amendments to IFRS 2 (scope), IFRS 8 (disclosure about segment assets), IAS 1 (current/non-current classification of convertible instruments), IAS 7 (classification of land and buildings), IAS 18 (principal or agent), IAS 39 (treating loan prepayment penalties as closely related embedded derivatives), and IFRIC 16 (any entity within the Group that can hold hedging instruments including the foreign operation that is itself being hedged). These amendments are to be applied retrospectively. Amendments to IFRS 5 (disclosure of non-current assets held for sale), IAS 36 (unit of account for goodwill impairment), IAS 38 (measuring fair value of intangible acquired in a business combination), and IFRIC 9 (scope). These amendments are to be applied prospectively.	1 January 2010
Amendment to IAS 24: Related party transactions[1, 2]	Change to IAS 24 to clarify the definition of related parties and to provide exemption from the disclosure of certain transactions with government entities.	1 January 2011

Pronouncement	*Description of impact*	*Latest effective date for the Group and Company*
IFRS 9 – Financial Instruments[1, 2]	IFRS 9 replaces certain elements of IAS 39 in respect of the classification and measurement of financial assets. The standard requires all financial assets to be classified as fair value or amortised cost. Amortised cost classification is only permitted where the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and where these contractual cash flows are solely payment of principal and interest. Gains or losses on assets measured at fair value are recognised in the income statement unless the asset is an equity investment and the Group has elected to present such gains or losses in other comprehensive income.	1 January 2013

1 This IFRS or IFRIC Interpretation has not yet been endorsed by the EU.
2 Subject to endorsement of the EU the Group has not yet made a final decision as to whether it will apply in the 2010 financial statements those pronouncements marked in the table above.

54. 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 53, EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the EU.

AUDITED FINANCIAL INFORMATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Statement of director's responsibilities in respect of the Annual Report and 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 UK 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 of the 2008 Annual Report.

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 UK 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 the Company's 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 considers 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 conduct 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 UK 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 UK 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 US$million	2007 US$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

1 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 US$million	2007* US$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

Statement of recognised income and expense
For the year ended 31 December 2008

	Notes	Group 2008 US$million	Group 2007 US$million	Company 2008 US$million	Company 2007 US$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

		Group		Company	
	Notes	2008 US$million	2007 US$million	2008 US$million	2007* US$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 US$million	2007 US$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	P A Sands	R H Meddings
Acting chairman	Group chief executive	Group finance director

Notes to the financial statements

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 UK 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 of the 2008 Annual Report and 'Capital' on pages 64 to 65 of the 2008 Annual Report*, 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.

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* This information forms part of the Notes to the Accounts and is disclosed on pages 208 to 229 and 231 to 238 of this Red Herring Prospectus. Pages 208 to 229 and 231 to 238 of this Red Herring Prospectus also include information which is not audited and a full set of audited financial statements can be obtained from www.standardchartered.com.

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% and 50% 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.

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.

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.

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.

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 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.

(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 US$million	*Wholesale Banking US$million*	*Corporate items not allocated US$million*	*Total US$million*	*Consumer Banking US$million*	*Wholesale Banking US$million*	*Corporate items not allocated US$million*	*Total US$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 US$852 million (2007: US$nil million) in respect of operating lease assets.

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

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 US$million	Singapore US$million	Malaysia US$million	Korea US$million	Other Asia Pacific US$million	India US$million	Middle East & Other S Asia US$million	Africa US$million	Americas UK & Europe US$million	Total US$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 US$82,689 million and excludes tax assets of US$1,424 million.

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

	2007									
	Asia Pacific									
	Hong Kong US$million	Singapore US$million	Malaysia US$million	Korea US$million	Other Asia Pacific US$million	India US$million	Middle East & Other S Asia US$million	Africa US$million	Americas UK & Europe US$million	Total US$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 US$58,662 million and excludes total tax assets of US$1,226 million.

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 US$million	*2007 US$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 US$10,124 million (2007: US$11,070 million) and from financial instruments held as available-for-sale is US$2,820 million (2007: US$2,390 million).

4. Interest expense

	2008 US$million	*2007 US$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 US$7,405 million (2007: US$8,347 million).

5. Fees and commissions

	2008 US$million	2007 US$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 US$million	2007 US$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 US$million	2007 US$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 US$million	*2007 US$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 US$3 million (2007: US$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 93 of the 2008 Annual Report.

Transactions with directors, officers and other related parties are disclosed in note 56.

Auditor's remuneration

Auditor's remuneration in relation to the Group statutory audit amounts to US$5.0 million (2007: US$6.0 million). The following fees were payable by the Group to their principal auditor, KPMG Audit Plc and its associates (together 'KPMG'):

	2008 US$million	*2007* US$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, US$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 US$0.3 million (2007: US$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 US$million	*2007 US$million*
Premises	98	78
Equipment	152	104
Intangibles:		
Software	94	86
Acquired on business combinations	81	77
	425	345

10. Other impairment

	2008 US$million	*2007 US$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 US$315 million (2007: US$nil million) in relation to impairment of equity investments, US$41 million (2007: US$35 million) impairment on asset backed securities, and US$61 million (2007: US$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 US$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 US$million	*2007 US$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 US$156 million (2007: US$195 million) provided at a rate of 16.5% (2007: 17.5%) on the profits assessable in Hong Kong. With effect from 1 April 2008, the United Kingdom corporation tax rate was reduced from 30% to 28%. This gives a blended 28.5% tax rate for the full year.

The taxation charge for the year is lower than the standard rate of corporation tax in the United Kingdom, 28.5%.

The differences are explained below:

	2008 US$million	2007 US$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 US$million	2007 US$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*	*US$million*	*Post-rights cents per share**	*Pre-rights cents per share*	*US$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 US$million*	*2007 US$million*
Non-cumulative irredeemable preference shares:	$7\frac{3}{8}$ % preference shares of £1 each†	15	15
	$8\frac{1}{4}$ % preference shares of £1 each†	16	16
Non-cumulative redeemable preference shares:	8.125% preference shares of US$5 each†	32	—
	7.014% preference shares of US$5 each	62	—
	6.409% preference shares of US$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 (US$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 US$million*	*Weighted average number of shares ('000)*	*Per share amount cents*	*Profit* US$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 *US$million*	*2007* *US$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 US$24,161 million (2007: US$10,175 million) is deemed to be held at amortised cost.

Assets	*Trading US$million*	*Designated at fair value through profit or loss US$million*	*Available-for-sale US$million*	*Loans and receivables US$million*	*Held-to-maturity US$million*	*Total US$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 US$million*	*Designated at fair value through profit or loss US$million*	*Amortised cost US$million*	*Total US$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

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 US$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 US$million*	*Income US$million*	*AFS reserve US$million*	*Income US$million*	*AFS reserve US$million*	*Effective interest rate %*	*Estimated amounts of expected cash flows US$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 US$million	*From trading to loans and receivables US$million*	*From available-for-sale to loans and receivables US$million*	*Total US$million*
Debt securities and treasury bills	2,796	2,484	2,105	7,385
Loans to banks	—	91	—	91
Loans and advances to customers	10	255	—	265
	2,806	2,830	2,105	7,741

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

For assets reclassified:	Carrying amount at 31 December 2008 US$million	Fair value at 31 December 2008 US$million	If assets had not been reclassified, fair value loss from the date of reclassification to 31 December 2008 which would have been recognised within: Income US$million	AFS reserve US$million	Income recognised in income statement US$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 US$243 million (2007: US$738 million).

The net fair value loss on loans and advances to customers designated at fair value through profit or loss was US$0.1 million (2007: US$1.0 million). Of this, US$3 million (2007: US$nil million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was US$3.4 million (2007: US$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 US$million	*Designated at fair value through profit or loss US$million*	*Total US$million*	*Trading US$million*	*Designated at fair value through profit or loss US$million*	*Total US$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 US$million	*2007 US$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

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 US$million	*2007 US$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 of the 2008 Annual Report explains the Group's and the Company's risk management of derivative contracts.

Group

	2008			*2007*		
Total derivatives	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$million*	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$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

Company

	2008			*2007*		
Total derivatives	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$million*	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$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

	2008			2007		
Derivatives held for hedging	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$million*	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$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

	2008			2007		
Derivatives held for hedging	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$million*	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$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 US$1,142 million (2007: gains of US$49 million) compared to losses arising on the hedged items of US$1,138 million (2007: losses of US$52 million).

For the Company losses arising on fair value hedging instruments were US$26 million compared to gains arising on the hedged items of US$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.

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 US$million	*One to two years US$million*	*Two to three years US$million*	*Three to four years US$million*	*Four to five years US$million*	*Over five years US$million*	*Total US$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 US$million	*One to two years US$million*	*Two to three years US$million*	*Three to four years US$million*	*Four to five years US$million*	*Over five years US$million*	*Total US$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, US$4 million (2007: US$nil million) was recognised in the income statement in respect of ineffectiveness arising on cash flow hedges.

During the year US$18 million (2007: US$58 million) was removed from the cash flow hedging reserve and included in profit and loss, of which, US$2 million (2007: US$58 million) was recognised within operating costs and the remaining US$16 million (2007: US$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, US$nil million (2007: US$nil million) was recognised in the Income statement in respect of ineffectiveness arising on net investment hedges.

18. Loans and advances to banks

	2008 US$million	*2007 US$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 US$million	2007 US$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 US$4,192 million (2007: US$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 US$4,583 million (2007: US$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 US$15.7 billion (2007: US$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 US$17.1 billion (2007: US$22.6 billion) and Hong Kong residents of US$13.0 billion (2007: US$11.8 billion).

20. Assets leased to customers

Finance leases and instalment credit

	2008 US$million	2007 US$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 US$154 million (2007: US$140 million).

	2008 US$million	2007 US$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 US$1,029 million (2007: US$200 million).

	2008 *US$million*	*2007* *US$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 *US$million*	*2007* *US$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 *US$million*	*2007* *US$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 US$million	2007 US$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 US$million	Wholesale Banking US$million	Total US$million	Consumer Banking US$million	Wholesale Banking US$million	Total US$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 US$35 million (2007: US$10 million) and individual impairment provisions on these loans of US$17 million (2007: US$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 US$million	Available-for-sale US$million	Loans and receivables US$million	Total US$million	Loans and receivables US$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 US$million	Available-for-sale US$million	Loans and receivables US$million	Equity shares US$million	Treasury bills US$million	Total US$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

	2007					
	Debt securities					
	Held-to-maturity US$million	Available-for-sale US$million	Loans and receivables US$million	Equity shares US$million	Treasury bills US$million	Total US$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 US$925 million (2007: US$nil million) comprises corporate securities issued by Standard Chartered Bank with a market value of US$925 million (2007: US$nil million).

The change in the carrying amount of investment securities comprised:

	2008				2007			
	Debt securities US$million	Equity shares US$million	Treasury bills US$million	Total US$million	Debt securities US$million	Equity shares US$million	Treasury bills US$million	Total US$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 US$1,455 million (2007: US$492 million) of bills sold subject to sale and repurchase transactions. Debt securities include US$1,855 million (2007: US$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 US$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 US$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 US$271 million (2007: US$46 million) and unamortised discounts amounted to US$743 million (2007: US$186 million).

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

The change in impairment provisions is as follows:

	2008				*2007*			
	Debt securities US$million	*Equity shares US$million*	*Treasury bills US$million*	*Total US$million*	*Debt securities US$million*	*Equity shares US$million*	*Treasury bills US$million*	*Total US$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 US$425 million (2007: US$50 million), US$8 million (2007: US$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 US$million*	*2007 US$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% 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% interest in UTI Securities Limited, subsequently renamed Standard Chartered – STCI Capital Markets Limited (SC Caps), for US$38 million generating goodwill of US$35 million. On 12 December 2008 the Group acquired a further 25.9% for US$20 million generating additional goodwill of US$17 million.

SC Caps is equity brokerage company and its main areas of operation are in India. Although the Group's investment in SC Caps is greater than 50% of the share capital, the Group contractually shares control of the strategic financial and operating policies of SC Caps 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 US$59 million (2007: US$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.

The following amounts have been included in the consolidated accounts of the Group:

	2008 US$million	*2007 US$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 *US$million*	2007 *US$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% of the share capital of First Africa Holdings Limited, a leveraged finance advisory boutique company in which it currently holds 25%. 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 Co., Ltd	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% equity stake in Asia Commercial Bank (ACB) (including convertible bonds) for US$211 million to bring the total shareholding to 15% and the total cost of investment to US$298 million. ACB's main area of operation is in Vietnam. The fair value of the investment in ACB at 31 December 2008 is US$211 million.

The Group's investments in ACB and China Bohai Bank Co., Ltd are less than 20% but both ACB and China Bohai Bank Co., Ltd 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% interest in mReferral Corporation Limited for US$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% of the share capital of Yeahreum Mutual Savings Bank (Yeahreum), a Korean banking company.

On 29 February 2008, the Group acquired 100% 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% 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 US$14,093 million and profit before taxation would have been approximately US$4,809 million.

During 2008, the Group acquired the remaining 20% minority of A Brain Co. Limited for a consideration of US$8 million, generating additional goodwill of US$5 million.

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

	AEB		*Other acquisitions*	
	Fair value US$million	*Acquiree's carrying amount US$million*	*Fair value US$million*	*Acquiree's carrying amount US$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	

	AEB		Other acquisitions	
	Fair value US$million	Acquiree's carrying amount US$million	Fair value US$million	Acquiree's carrying amount US$million
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.

2007 acquisitions

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

The acquired businesses contributed operating income of US$7 million and loss before tax of US$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 US$11,132 million and profit before taxation would have been approximately US$4,043 million.

During 2007, the Group acquired the remaining minority interest of Hsinchu for a consideration of US$43 million and generated additional goodwill of US$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* US$million	Acquiree's carrying amount US$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 US$151 million; loan notes issued US$5 million; deferred consideration US$65 million; and cost US$3 million.

26. Goodwill and intangible assets

	2008				2007			
	Goodwill US$million	Acquired intangibles US$million	Software US$million	Total US$million	Goodwill*,** US$million	Acquired intangibles US$million	Software US$million	Total US$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

	2008				2007			
	Goodwill US$million	Acquired intangibles US$million	Software US$million	Total US$million	Goodwill*,** US$million	Acquired intangibles US$million	Software US$million	Total US$million
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 US$514 million accumulated prior to the adoption of IFRS.

At 1 January 2007, the net book value was: goodwill, US$5,678 million; acquired intangibles, US$351 million; and software, US$218 million.

At 31 December 2008, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to US$69 million (2007: US$69 million).

	2008 US$million	2007 US$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 US$million	2007* US$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 SC Caps	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.

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 US$1,891 million and a further US$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% (2007: 4.2%) in line with the long-term forecast GDP growth of Korea. A pre-tax discount rate of 17.2% (2007: 16.4%) was used.

Pakistan business

Union Bank was acquired in September 2006 with initial goodwill recognised of US$414 million. Additional goodwill of US$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% (2007: 7.4%) in line with the long-term forecast GDP growth of Pakistan. A pre-tax discount rate of 25.9% (2007: 26.1%) was used.

Taiwan businesses

Hsinchu and Asia Trust were acquired in 2006 and 2008 respectively with initial goodwill recognised of US$1,142 million and a further US$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% (2007: 4.5%) in line with the long-term forecast GDP growth of Taiwan. A pre-tax discount rate of 22.3% (2007: 14.9%) was used.

Credit card business

Manhattan Card Business was acquired in 2000 with initial goodwill recognised of US$1,061 million. This was amortised to US$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% (2007: 3.8%) in line with the long-term forecast global GDP growth. A pre-tax discount rate of 13.7% (2007: 13.0%) was used.

India businesses

Grindlays (India) was acquired in 2000 with initial goodwill recognised of US$446 million. This was amortised to US$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% interest in SC Caps, with initial goodwill recognised of US$52 million.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 6.8% (2007: 7.1%) in line with the long-term forecast GDP growth of India. A pre-tax discount rate of 18.6% (2007: 26.5%) was used.

MESA business

Grindlays (MESA) was acquired in 2000 with initial goodwill recognised of US$446 million. This was amortised to US$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% in line with the long term forecast GDP growth of MESA. A pre-tax discount rate of 19.6% (2007: 15.8%) was used.

Thailand business

75% of Standard Chartered Bank (Thai) was acquired in 1999 with initial goodwill recognised of US$222 million. This was amortised to US$204 million under UK GAAP until 31 December 2003. In 2005 the Group acquired the remaining 25%, increasing goodwill to US$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% (2007: 5.6%) in line with the long term forecast GDP growth of Thailand. A pre-tax discount rate of 21.5% (2007: 19.5%) was used.

Group's share of Permata

31.55% of Permata was acquired in 2004 with initial goodwill recognised of US$115 million. A further 12.96% was acquired in September 2006, generating further goodwill of US$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% (2007: 5.4%) in line with the long-term forecast GDP growth of Indonesia. A pre-tax discount rate of 24.3% (2007: 25.9%) was used.

Financial institution and Private Banking business

100% of AEB was acquired in February 2008 with initial goodwill recognised of US$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%, in line with long-term forecast global GDP growth. A pre-tax discount rate of 13.7% was used.

27. Property, plant and equipment

	2008			2007		
	Premises US$million	*Equipment US$million*	*Total US$million*	*Premises US$million*	*Equipment* US$million*	*Total US$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, US$1,969 million; and equipment, US$199 million.

Equipment includes operating lease assets of US$1,029 million (2007: US$200 million) (see note 20).

Assets held under finance leases have the following net book amount:

	2008		2007	
	Premises US$million	*Equipment US$million*	*Premises US$million*	*Equipment US$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 US$million	2007 US$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 US$million	*Exchange & other adjustments US$million*	*Acquisitions/ disposals US$million*	*Charge/ (credit) to profit US$million*	*Charge/ (credit) to equity US$million*	*At 31 December 2008 US$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 US$million	*Exchange & other adjustments US$million*	*Acquisitions/ disposals* US$million*	*Charge/ (credit) to profit US$million*	*Charge/ (credit) to equity US$million*	*At* 31 December 2007 US$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 US$million	Asset US$million	Liability US$million	Total* US$million	Asset* US$million	Liability* US$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.

	2008 US$million	2007 US$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 US$million	2007 US$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 US$million	2007 US$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 US$million	2007 US$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 US$1,299 million (2007: US$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 US$million	Designated at fair value through profit or loss US$million	Total US$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 US$million	Designated at fair value through profit or loss US$million	Total US$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 US$118 million for the year (2007: US$37.3 million). Of this, a loss of US$11.2 million (2007: gain of US$0.2 million) relates to changes in credit risk. The cumulative
fair value movement relating to changes in credit risk was a loss of US$16.4 million (2007: a loss of US$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 US$407 million higher (2007: US$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 US$100,000 or more US$million	*Other debt securities in issue US$million*	*Total US$million*	*Certificates of deposit of US$100,000 or more US$million*	*Other debt securities in issue US$million*	*Total US$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 US$1,372 million (2007: US$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 US$million	*Singapore US$million*	*Malaysia US$million*	*Korea US$million*	*Other Asia Pacific US$million*	*India US$million*	*Middle East & Other S Asia US$million*	*Africa US$million*	*Americas UK & Europe US$million*	*Total US$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 US$million	*Singapore US$million*	*Malaysia US$million*	*Korea US$million*	*Other Asia Pacific US$million*	*India US$million*	*Middle East & Other S Asia US$million*	*Africa US$million*	*Americas UK & Europe US$million*	*Total US$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 US$1,372 million (2007: US$nil million) are within Americas, UK and Europe.

35. Other liabilities

	2008 US$million	2007 US$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 US$3,097 million (2007: US$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 US$million	Other provisions US$million	Total US$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 US$million	2007 US$million
Defined benefit schemes obligation	433	313
Defined contribution schemes obligation	14	9
Net book amount	447	322

	2008 US$million	2007 US$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 *US$million*	2007 *US$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 US$6 million (2007: US$11 million).

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 annum
Return from return seeking assets	5.70% per annum
General increase in salaries	4.40% per annum
Rate of price inflation	2.90% per annum
Increase in pensions:	
In deferment (where applicable)	2.90% per annum
In payment* (pre April 1997 service)	2.70% per annum
In payment (post April 1997 service)	2.20 – 2.90% 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 (US$1,772 million) was sufficient to cover 99.5% of the benefits that had accrued to members. Additional contributions of US$8.4 million were paid during 2007 and US$5.6 million in 2008. Additional contributions of US$1.8 million are payable in each of 2009 and 2010.

Contributions paid to the Fund during 2008 were US$18 million (2007: US$24 million) and regular contributions were set at 32.5% 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% of the total liabilities of funded overseas schemes.

	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 US$million*	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$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)

At 31 December 2007	Funded defined benefit schemes				Unfunded schemes			
	UK Fund		Overseas schemes		Post-retirement medical		Other	
	Expected return on assets %	*Value US$million*	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$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 US$million*	*Value US$million*	*Value US$million*	*Value US$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.

The pension cost for defined benefit schemes was:

Year ending 31 December 2008	*Funded defined benefit schemes*		*Unfunded schemes*		
	UK Fund US$million	*Overseas schemes US$million*	*Post-retirement medical US$million*	*Other US$million*	*Total US$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 US$99 million and on overseas scheme assets was US$94 million.

The total cumulative amount recognised directly in the Statement of Recognised Income and Expense before tax to date is a loss of US$43 million (2007: gain of US$186 million).

Year ending 31 December 2007	*Funded defined benefit schemes*		*Unfunded schemes*		
	UK Fund US$million	*Overseas schemes US$million*	*Post-retirement medical US$million*	*Other US$million*	*Total US$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 US$128 million and on overseas scheme assets was US$34 million.

Year ending 31 December 2006	*Funded defined benefit schemes* UK Fund US$million	*Funded defined benefit schemes* Overseas schemes US$million	*Unfunded schemes* Post-retirement medical US$million	*Unfunded schemes* Other US$million	Total US$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 US$116 million and on overseas scheme assets was US$50 million.

** The actual return on the UK fund assets was US$184 million and on overseas scheme assets was US$48 million.

*** The actual return on the UK fund assets was US$111 million and on overseas scheme assets was US$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*		*Unfunded schemes*		
	UK Fund US$million	*Overseas schemes US$million*	*Post-retirement medical US$million*	*Other US$million*	*Total US$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)

Year ending 31 December 2007	*Funded defined benefit schemes*		*Unfunded schemes*		
	UK Fund US$million	*Overseas schemes US$million*	*Post-retirement medical US$million*	*Other US$million*	*Total US$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 US$million*	*Obligations US$million*	*Total US$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 US$million*	*Obligations US$million*	*Total US$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 US$million	2007 US$million
Subordinated loan capital – issued by subsidiary undertakings		
£675 million 5.375% undated step up Subordinated Notes (callable and floating rate from 2020)	1,064	1,276
£600 million 8.103% Step-Up Callable Perpetual Trust Preferred Securities (callable 2016)	1,085	1,356
£700 million 7.75% Subordinated debt 2018	1,090	—
£300 million 6.0% Subordinated debt 2018	486	610
£300 million 6.75% Notes 2009	390	535
£200 million 7.75% Notes (callable 2022)	360	454
£30 million Floating Rate Notes 2009	44	59
€1,100 million 5.875% Subordinated debt 2017	1,609	1,013
€750 million 3.625% Subordinated Notes 2017 (Floating rate from 2012)	1,066	1,043
€675 million Floating Rate Notes 2018	951	983
€600 million 5.375% Notes 2009	755	783
€500 million 8.16% non-cumulative Trust Preferred Securities (callable 2010)	711	734
US$1 billion 6.4% Subordinated debt 2017	1,203	1,042
US$700 million 8.0% Subordinated Notes 2031	1,022	753
US$500 million Floating Rate Notes 2016	499	499
US$500 million Floating Rate Notes 2015	499	499
US$350 million 4.375% Notes 2014 (Floating rate from 2009#)	358	351
US$300 million Floating Rate Note 2017	297	300
US$154 million Subordinated debt 2013	—	147
US$100 million Floating Rate Notes 2018	100	100
US$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% Notes 2014 (Floating rate from 2009)	66	64
IDR 500 billion Floating Rate Notes 2016	20	23
JPY 10 billion 3.35% 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% 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% 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		
US$400 million	58	400
US$300 million (Series 2)	82	300
US$400 million (Series 3)	84	400
US$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 US$1,243 million (2007: US$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.

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, US$11,865 million is at fixed interest rates (2007: US$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% 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%. 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%. 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%, 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%.

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%.

On 27 May 2008, the Company issued US$675 million non-cumulative redeemable preference shares of US$5 each, with a coupon of 8.125% and with an issuer's call option in November 2013, at a premium of US$1,995 per share.

On 19 September 2008, the Company issued US$250 million 8.125% non-cumulative redeemable preference shares of US$5 each with an issuer's call option in November 2013, at a premium of US$1,995 per share. From 27 November 2008, the shares were consolidated to form a single series with the US$675 million 8.125% 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% of their par value. US$1,024 million Notes were redeemed, generating a profit of US$384 million.

39. Share capital

The authorised share capital of the Company at 31 December 2008 was US$4,933 million (2007: US$5,269 million) made up of 2,632 million ordinary shares of US$0.50 each, 500 million non-cumulative irredeemable preference shares of £1 each, 300 million non-cumulative redeemable preference shares of US$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 US$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 US$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 US$million*	*Preference share capital US$million*	*Total US$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 US$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% owned by the Company prior to the transaction. In return for an issue of shares by the Company to the placees, the net proceeds of the placing were paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares and the 11% of the ordinary shares it did not own. Under this structure merger relief applies under Section 131 of the UK Companies Act 1985 which provides relief from the requirements under Section 130 of the UK 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 US$5 each at a placing price of US$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 US$million*	*Capital reserve US$million*	*Capital redemption reserve US$million*	*Merger reserve US$million*	*Available-for-sale reserve US$million*	*Cash flow hedge reserve US$million*	*Translation reserve US$million*	*Retained earnings US$million*	*Total US$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 US$923 million arising on the issue of the US$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 US$84 million (2007: US$5 million).

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is US$27 million (2007: US$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 UK 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 (US$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 US$million*	*Capital reserve US$million*	*Capital redemption reserve US$million*	*Merger reserve US$million*	*Retained earnings US$million*	*Total US$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 US$923 million arising on the issue of the US$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

	US$300m 7.267% Hybrid Tier 1 Securities US$million	*Other minority interests US$million*	*Total US$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 US$121 million (2007: US$117 million) of which US$152 million (2007: US$78 million) relates to equity-settled awards, and a credit of US$31 million (2007: US$39 million charge) relates to cash-settled awards. After deferred tax, the total charge to the income statement was US$89 million (2007: US$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% 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 of the 2008 Annual Report. 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% 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 DBP, 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 83 to 93 of the 2008 Annual Report. The remaining life of the plan is six years.

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% 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 US$nil million (2007: US$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% 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 US$0.8 million (2007: US$9 million).

The weighted average share price at the time the options were exercised during 2008 was £17.23 (2007: £14.36).

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% 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% 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% 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 US$0.3 million (2007: US$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.

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% 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 US$3 million (2007: US$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% 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.

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% 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 US$0.1 million (2007: US$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% 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.

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% 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 US$0.4 million (2007: US$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% 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 US$million	*2007 US$million*	*2008 US$million*	*2007 US$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 *US$million*	*2007* *US$million*	*2008* *US$million*	*2007* *US$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 *US$million*	*2007* *US$million*	*2008* *US$million*	*2007* *US$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 *US$million*	*2007* *US$million*	*2008* *US$million*	*2007* *US$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 *US$million*	*2007* *US$million*
Contracted	46	29

46. Operating lease commitments

	2008		*2007*	
	Premises *US$million*	*Equipment* *US$million*	*Premises* *US$million*	*Equipment* *US$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 US$240 million (2007: US$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 US$5 million (2007: US$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 *US$million*	*2007* *US$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.

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 US$million	*2007 Reverse repurchase agreements US$million*
Banks	1,578	1,349
Customers	4,833	1,068
	6,411	2,417

Balance sheet liabilities

	2008 Repurchase agreements US$million	*2007 Repurchase agreements US$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 US$million	*2007 US$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 of the 2008 Annual Report explains the Group's and Company's risk management with respect to asset and liability management.

	2008				
	Three months or less US$million	*Between three months and one year US$million*	*Between one year and five years US$million*	*More than five years US$million*	*Total US$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).

	2007				
	Three months or less US$million	*Between three months and one year US$million*	*Between one year and five years US$million*	*More than five years US$million*	*Total US$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	329,87
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 US$2,835 million (2007: US$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 US$4,309 million (2007: US$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 US$million	*Between three months and one year US$million*	*Between one year and five years US$million*	*More than five years US$million*	*Three months or less US$million*	*Between three months and one year US$million*	*Between one year and five years US$million*	*More than five years US$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.

Company

	2008				2007			
	Three months or less US$million	*Between three months and one year US$million*	*Between one year and five years US$million*	*More than five years US$million*	*Three months or less US$million*	*Between three months and one year US$million*	*Between one year and five years US$million*	*More than five years US$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 of the 2008 Annual Report.

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 US$600 million (2007: US$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 *US$million*	*2007* *US$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 US$143 million (2007: US$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 US$1,633 million (2007: US$687 million) and liabilities of US$782 million (2007: US$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 US$85 billion compared to 2007, primarily due to increased lending to customers, up US$31 billion, reflecting strong growth in the Wholesale Banking portfolio, particularly in the financing segment and an increase in derivative instruments of US$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 of the 2008 Annual Report.

	2008 *US$million*	*2007* *US$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, US$45,896 million (2007: US$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 US$5,303 million (2007: US$2,019 million), which relates to amounts owed by subsidiary undertakings.

Summary analysis of the loan portfolio

	2008				*2007*			
	Loans to banks US$million	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total loans to customers US$million*	*Loans to banks US$million*	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total loans to customers US$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 US$2,706 million (2007: US$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.

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 US$million	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total loans to customers US$million*	*Loans to banks US$million*	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total loans to customers US$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 in the 2008 Annual Report. 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%. 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 US$million*	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total loans to customers US$million*	*Loans to banks US$million*	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total loans to customers US$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.

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 US$million	*Wholesale Banking US$million*	*Total US$million*	*Consumer Banking US$million*	*Wholesale Banking US$million*	*Total US$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 US$million	*Treasury bills US$million*	*Total US$million*	*Debt securities US$million*	*Treasury bills US$million*	*Total US$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 US$41 million (2007: US$35 million) impairment charge and other writedowns of US$49 million (2007: US$87 million) were taken in 2008. Further details of these writedowns are set out on page 57 of the Risk review in the 2008 Annual Report.

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 US$22 million (2007: US$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 US$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 US$million	*Treasury bills US$million*	*Total US$million*	*Debt securities US$million*	*Treasury bills US$million*	*Total US$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, US$3,525 million (2007: US$2,606 million) of these securities are considered to be investment grade and US$445 million (2007: US$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 US$million	*Fair value US$million*	*Book amount US$million*	*Fair value US$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% 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 US$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 US$million	Adjustment US$million	Restated at 2007 US$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 US$million	Re-presentation US$million	Restated at 2007 US$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 US$million	Re-presentation US$million	Restated at 2007 US$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 US$million	*Maximum exposure US$million*	*Total assets US$million*	*Maximum exposure US$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 US$375 million (2007: US$150 million) of which US$124 million (2007: US$15 million) has been drawn down.

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

For the purposes of portfolio management, the Group has entered into synthetic credit default swaps with note-issuing SPEs. The referenced assets remain on the Group's balance sheet as the credit risk is not transferred to these SPEs. The Group's exposure arises from (a) the capitalised start-up costs in respect of the swap vehicles and (b) interest in the first loss notes and investment in a minimal portion of the mezzanine and senior rated notes issued by the note issuing SPEs. The proceeds of the notes issuance are typically invested in AAA-rated government securities, which are used to 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% 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% 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 88 to 93 of the 2008 Annual Report.

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 *US$million*	*2007* *US$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 UK 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	*US$000*	*Number*	*US$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 US$137 million (2007: US$123 million), guarantees of US$39 million (2007: US$47 million) and foreign exchange deals with a notional value of US$103 million (2007: US$52 million).

As at 31 December 2008, Standard Chartered Bank had created a charge over US$24 million (2007: US$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 2008, 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 US$5 million at 31 December 2008 (2007: US$4 million), and deposits of US$16 million (2007: US$7 million).

The Group has loans and advances with SC Caps totalling US$12 million (2007: US$nil million).

Associates

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

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 US$nil million (31 December 2007: US$251 million).

Company

The Company has received US$105 million (2007: US$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 US$3,036 million (2007: US$343 million), loans of US$1,724 million (2007: US$77 million) to Standard Chartered Holdings Limited, and loans of US$1 million (2007: US$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, US$271 million (2007: US$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 US$2.3 billion were held in respect of which there was no observable market data, of which US$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.

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 US$12 million (or increase by approximately US$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 US$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	IAS 1 Revised provides the option to either	1 January 2009

Pronouncement	*Description of impact*	*Latest effective date for the Group and Company*
Financial Statements	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.	
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% 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

Pronouncement	*Description of impact*	*Latest effective date for the Group and Company*
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 US$million	*Average interest earning balance US$million*	*Interest income US$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 US$million	*Average interest earning balance US$million*	*Interest income US$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

	2008			
	Average non-interest bearing balance US$million	*Average interest bearing balance US$million*	*Interest expense US$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 US$million	*Average interest bearing balance US$million*	*Interest expense US$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 US$million	*Rate US$million*	*US$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 US$million	Rate US$million	US$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 US$million	Wholesale Banking US$million	Corporate items not allocated US$million	Total US$million	Consumer Banking US$million	Wholesale Banking US$million	Corporate items not allocated US$million	Total US$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 US$million	Singapore US$million	Malaysia US$million	Korea US$million	Other Asia Pacific US$million	India US$million	Middle East & Other S Asia US$million	Africa US$million	Americas UK & Europe US$million	Total US$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 US$8,027 million of intra-group balances which are netted in calculating capital ratios.

	2007									
	Asia Pacific									
	Hong Kong US$million	Singapore US$million	Malaysia US$million	Korea US$million	Other Asia Pacific US$million	India US$million	Middle East & Other S Asia US$million	Africa US$million	Americas UK & Europe US$million	Total US$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

1 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 US$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 of the 2008 Annual Report 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 US$6.4 million and US$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 S$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 of the 2008 Annual Report. Additional details are provided on page 70 of the Report of the directors in the 2008 Annual Report.

		Year to 31 December 2008				
Transaction Category	*Notes*	*Aggregate notional value/ principal amounts during the year US$million*	*Notional value of outstanding transactions or principal amounts as at 31 December 2008 US$million*	*Fair value of outstanding transactions as at 31 December 2008 US$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 US$million	*Notional value of outstanding transactions or principal amounts as at 31 December 2007 US$million*	*Fair value of outstanding transactions as at 31 December 2007 US$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

Transaction Category	Notes	Year to 31 December 2008*		Year to 31 December 2007	
		Gross fee revenue to the Group US$million	*Total number of Temasek associates with whom transactions were entered*	*Gross fee revenue to the Group US$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 US$million	2007* US$million	2006 US$million	2005 US$million	2004** US$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 pages 699 to 700.
** 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.

AUDITED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

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 Directors' Report, 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.

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 2007 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 UK 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 86 of the 2007 Annual Report.

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 UK 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 is 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 the Company's 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 considers 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 conduct 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 2007 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 UK Companies Act 1985, of the state of the Company's affairs as at 31 December 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the UK 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

26 February 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	*2007*	*2006*		
		US$million	*Excluding acquisitions US$million*	*Acquisitions US$million*	*Total US$million*
Interest income	3	16,176	12,810	177	12,987
Interest expense	4	(9,911)	(7,576)	(83)	(7,659)
Net interest income		6,265	5,234	94	5,328
Fees and commission income	5	3,189	2,232	43	2,275
Fees and commission expense	5	(528)	(392)	(2)	(394)
Net trading income	6	1,261	914	6	920
Other operating income	7	880	485	6	491
		4,802	3,239	53	3,292
Operating income		11,067	8,473	147	8,620
Staff costs	8	(3,949)	(2,873)	(40)	(2,913)
Premises costs	8	(592)	(439)	(5)	(444)
General administrative expenses	8	(1,329)	(1,144)	(27)	(1,171)
Depreciation and amortisation	9	(345)	(249)	(19)	(268)
Operating expenses		(6,215)	(4,705)	(91)	(4,796)
Operating profit before impairment losses and taxation		4,852	3,768	56	3,824
Impairment losses on loans and advances and other credit risk provisions	20	(761)	(611)	(18)	(629)
Other impairment	10	(57)	(15)	—	(15)
Profit/(loss) from associates	23	1	(2)	—	(2)
Profit before taxation		4,035	3,140	38	3,178
Taxation	11	(1,046)	(812)	(12)	(824)
Profit for the year		2,989	2,328	26	2,354
Profit attributable to:					
Minority interests	40	148	75	1	76
Parent company shareholders		2,841	2,253	25	2,278
Profit for the year		2,989	2,328	26	2,354
Basic earnings per ordinary share	13	201.1c			169.0c
Diluted earnings per ordinary share	13	198.7c			167.0c

Consolidated Balance Sheet
As at 31 December 2007

	Notes	2007 US$million	2006* US$million
Assets			
Cash and balances at central banks	42	10,175	7,698
Financial assets held at fair value through profit or loss	15	22,958	15,715
Derivative financial instruments	16	26,204	13,154
Loans and advances to banks	17, 20	35,365	19,724
Loans and advances to customers	18, 20	154,266	139,300
Investment securities	22	55,274	49,497
Interests in associates	23	269	218
Goodwill and intangible assets	25	6,380	6,247
Property, plant and equipment	26	2,887	2,168
Deferred tax assets	27	559	512
Other assets	28	11,011	8,601
Prepayments and accrued income		3,857	3,268
Total assets		329,205	266,102
Liabilities			
Deposits by banks	29	25,880	26,233
Customer accounts	30	179,760	147,382
Financial liabilities held at fair value through profit or loss	31	14,250	9,969
Derivative financial instruments	16	26,270	13,703
Debt securities in issue	32	27,137	23,514
Current tax liabilities		185	68
Other liabilities	34	14,742	11,331
Accruals and deferred income		3,429	3,210
Provisions for liabilities and charges	35	38	45
Retirement benefit obligations	36	322	553
Subordinated liabilities and other borrowed funds	37	15,740	12,699
Total liabilities		307,753	248,707
Equity			
Share capital	38	705	692
Reserves	39	20,146	16,161
Total parent company shareholders' equity		20,851	16,853
Minority interests	40	601	542
Total equity		21,452	17,395
Total equity and liabilities		329,205	266,102

* Amounts have been restated as explained in note 51 on page 802.

These accounts were approved by the Board of Directors on 26 February 2008 and signed on its behalf by:

Lord Davies	P A Sands	R H Meddings
Chairman	Group Chief Executive	Group Finance Director

Statement of Recognised Income and Expense
For the year ended 31 December 2007

		Group		Company	
	Notes	2007 US$million	2006 US$million	2007 US$million	2006 US$million
Exchange differences on translation of foreign operations:					
Net gains taken to equity		415	670	—	—
Transferred to income on repatriation of branch capital		(109)	—	—	—
Actuarial gains on retirement benefit obligations	36	237	104	—	—
Available-for-sale investments:					
Net valuation gains taken to equity		675	682	—	—
Transferred to income		(252)	(190)	—	—
Cash flow hedges:					
Net gains taken to equity		57	79	—	—
Net (gains)/losses transferred to income for the year		(58)	20	—	—
Taxation on items recognised directly in equity		(99)	(131)	—	—
Other		—	7	—	(3)
Net income/(expense) recognised in equity		866	1,241	—	(3)
Profit for the year		2,989	2,354	349	686
Total recognised income and expense for the year		3,855	3,595	349	683
Attributable to:					
Minority interests	40	196	111	—	—
Parent company shareholders	39	3,659	3,484	349	683
		3,855	3,595	349	683

Cash Flow Statement

For the year ended 31 December 2007

	Group		Company	
	2007 *US$million*	*2006** *US$million*	*2007* *US$million*	*2006** *US$million*
Cash flow from operating activities				
Profit before taxation	4,035	3,178	310	713
Adjustment for items not involving cash flow or shown separately:				
Depreciation and amortisation	345	268	—	—
Gain on disposal of property, plant and equipment	(1)	(16)	—	—
Gain on disposal of investment securities and loan and receivable financial assets	(342)	(190)	—	—
Gain arising on initial recognition of Visa Inc. shares	(107)	—	—	—
Writedowns relating to asset backed securities	87	—	—	—
Movement in fair value hedges on available-for-sale assets	(21)	(5)	—	—
Amortisation of discounts and premiums of investment securities	(259)	(257)	—	—
Pension costs for defined benefit schemes	110	96	—	—
Impairment losses on loans and advances and other credit risk provisions	761	629	—	—
Dividend income from subsidiaries	—	—	(385)	(656)
Other impairment	57	15	—	—
Recoveries of acquisition fair values and discount unwind	(164)	(158)	—	—
	466	382	(385)	(656)
Net (decrease)/increase in derivative financial instruments	(466)	45	—	—
Net increase in debt securities, treasury bills and equity shares held at fair value through profit or loss	(3,691)	(4,259)	—	—
Net increase in loans and advances to banks and customers	(14,983)	(11,664)	—	—
Increase in prepayments and accrued income	(519)	(901)	—	—
Net increase in deposits from banks, customer accounts and debt securities in issue	36,135	16,914	—	—
Increase/(decrease) in accruals and deferred income	289	786	(1,051)	(101)
Net increase/(decrease) in other accounts	(1,880)	4,408	111	297
	14,885	5,329	(940)	196
Interest expense on subordinated liabilities	811	643	126	115
Net return from defined benefit schemes	16	47	—	—
UK and overseas taxes (paid)/refunded	(1,097)	(903)	14	—
Net cash from/(used in) operating activities	19,116	8,676	(875)	368
Net cash flows from investing activities				
Purchase of property, plant and equipment	(471)	(245)	—	—
Disposal of property, plant and equipment	22	40	—	—
Acquisition of investment in subsidiaries, net of cash acquired	(85)	(937)	(750)	(2,683)
Redemption of capital in subsidiary	—	—	—	1,000
Acquisition of investment securities	(78,292)	(71,115)	—	—
Dividends received from investment in subsidiaries	—	—	385	656
Disposal and maturity of investment securities	74,457	63,896	—	—
Net cash used in investing activities	(4,369)	(8,361)	(365)	(1,027)
Net cash flows from financing activities				
Issue of ordinary and preference share capital	861	2,070	861	2,070
Purchase of own shares	(15)	(9)	—	—
Exercise of share options through ESOP	39	158	—	—

	Group		Company	
	2007 US$million	2006* US$million	2007 US$million	2006* US$million
Redemption of preference share capital	—	(328)	—	(328)
Interest paid on subordinated liabilities	(737)	(562)	(118)	(124)
Gross proceeds from issue of subordinated liabilities	3,051	1,591	—	—
Repayment of subordinated liabilities	(505)	(390)	—	—
Dividends paid to minority interests and preference shareholders	(148)	(80)	(28)	(25)
Dividends paid to ordinary shareholders	(573)	(496)	(573)	(496)
Net cash from financing activities	1,973	1,954	142	1,097
Net increase/(decrease) in cash and cash equivalents	16,720	2,269	(1,098)	438
Cash and cash equivalents at beginning of year	38,161	35,226	2,028	1,590
Effect of exchange rate movements on cash and cash equivalents	457	666	—	—
Cash and cash equivalents at end of year (note 42)	55,338	38,161	930	2,028

* Amounts have been re-presented as explained in note 51 on page 802.

Company Balance Sheet
As at 31 December 2007

	Notes	2007 US$million	2006 US$million
Non-current assets			
Investments in subsidiary undertakings	23	10,406	9,656
Current assets			
Amounts owed by subsidiary undertakings		2,019	3,181
Taxation		183	158
Other		127	103
		2,329	3,442
Current liabilities			
Amounts owed to subsidiary undertakings		1,089	1,153
Other creditors, including taxation		102	71
Deferred income		40	154
		1,231	1,378
Net current assets		1,098	2,064
Total assets less current liabilities		11,504	11,720
Non-current liabilities			
Subordinated liabilities and other borrowed funds	37	1,987	1,977
Deferred income		271	1,208
		9,246	8,535
Equity			
Share capital	38	705	692
Reserves	39	8,541	7,843
Total equity		9,246	8,535

These accounts were approved by the Board of Directors on 26 February 2008 and signed on its behalf by:

Lord Davies	P A Sands	R H Meddings
Chairman	Group Chief Executive	Group Finance Director

Notes to the Accounts

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 UK 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 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies', IFRIC 8 'Scope of IFRS 2', IFRIC 9 'Reassessment of Embedded Derivatives' and IFRIC 10 'Interim Financial Reporting and Impairment', none of which had an impact on the Group's consolidated financial statements.

The Group has also adopted IFRS 7 'Financial Instruments: Disclosures' and the Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures' and the disclosures required are presented within the 'Risk Review' on pages 43 to 59 of the 2007 Annual Report and 'Capital' on pages 60 to 61 of the 2007 Annual Report*, except where indicated as not audited, and the notes to the accounts.

The consolidated balance sheet at 31 December 2006 has been restated as explained in note 51 on page 802 to reflect the revised fair values of the assets and liabilities acquired on the acquisitions of Union Bank and Hsinchu. Certain items in the Group and Company cash flow statements for the year ended 31 December 2006 have been re-presented as explained in note 51.

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 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) 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.

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

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* This information forms part of the Notes to the Accounts and is disclosed on pages 208 to 229 and 231 to 238 of this Red Herring Prospectus. Pages 208 to 229 and 231 to 238 of this Red Herring Prospectus also include information which is not audited and a full set of audited financial statements can be obtained from www.standardchartered.com.

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 the financial and operating policies and procedures, but not control, generally accompanying a shareholding of between 20% and 50% 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.

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, investment 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 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 sixteen 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 licenses 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.

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	3 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.

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.

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 held subject to a finance lease, 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, excluding 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, based on the applicable tax law in each jurisdiction, 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.

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 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 (but not 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 (but not of 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.

(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. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(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 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

Available-for-sale financial assets and financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are 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.

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 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 a 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, 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.

(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 amounts due to other banks, deposits from banks, other deposits or deposits due to customers, 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.

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 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: Wholesale Banking and Consumer Banking. The types of products and services within these segments are set out in the Financial Review. The Group's secondary reporting format comprises geographic segments, classified by the location of the customer.

By Class of Business

	2007				2006			
	Consumer Banking US$million	*Wholesale Banking US$million*	*Corporate items not allocated US$million*	*Total US$million*	*Consumer Banking US$million*	*Wholesale Banking US$million*	*Corporate items not allocated US$million*	*Total US$million*
Internal income	(77)	77	—	—	(75)	75	—	—
Net interest income	4,194	2,071	—	6,265	3,545	1,783	—	5,328
Other income	1,689	3,095	18	4,802	1,214	2,065	13	3,292
Operating income	5,806	5,243	18	11,067	4,684	3,923	13	8,620
Operating expenses	(3,393)	(2,814)	(8)	(6,215)	(2,641)	(2,151)	(4)	(4,796)
Operating profit before impairment losses and taxation	2,413	2,429	10	4,852	2,043	1,772	9	3,824
Impairment (losses)/releases on loans and advances and other credit risk provisions	(736)	(25)	—	(761)	(721)	92	—	(629)
Other impairment	—	(57)	—	(57)	—	(15)	—	(15)
Profit/(loss) from associates	—	—	1	1	—	—	(2)	(2)
Profit before taxation	1,677	2,347	11	4,035	1,322	1,849	7	3,178
Total assets employed**	90,238	238,408	559*	329,205	86,902	178,688	512*	266,102
Total liabilities employed**	120,213	187,355	185*	307,753	107,165	141,474	68*	248,707
Total risk weighted assets and contingents**	63,516	108,317	—	171,833	60,380	93,053	—	153,433
Other segment items:								
Capital expenditure	418	208	—	626	209	150	—	359
Depreciation	136	46	—	182	100	35	—	135
Amortisation of intangible assets	68	95	—	163	52	81	—	133

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

** Amounts have been restated as explained in note 51 on page 802. In addition, certain assets have been reallocated between Consumer Banking and Wholesale Banking to present on a consistent basis.

By Geographic Segment

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

	2007									
	Asia Pacific									
	Hong Kong US$million	*Singapore US$million*	*Malaysia US$million*	*Korea US$million*	*Other Asia Pacific US$million*	*India US$million*	*Middle East & Other S Asia US$million*	*Africa US$million*	*Americas*[#] UK & Europe US$million	*Total US$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/(loss) 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 margins (%)	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	67,246	55,890	23,209	28,617	11,132	85,890	387,308
Total risk weighted assets and contingents	25,330	15,008	5,324	37,167	26,024	12,377	16,104	3,927	37,524	178,785
Capital expenditure	39	131	9	53	116	138	88	45	7	626

* Total assets employed includes intra-group items of US$58,662 million and excludes deferred tax assets of US$559 million.

\# Americas, UK & Europe was previously Americas, UK & Group Head Office. The business captured within this segment has not been changed, the title has been revised to more appropriately describe the segment.

	2006									
	Asia Pacific									
	Hong Kong US$million	*Singapore US$million*	*Malaysia US$million*	*Korea US$million*	*Other Asia Pacific US$million*	*India US$million*	*Middle East & Other S Asia US$million*	*Africa US$million*	*Americas UK & Europe US$million*	*Total US$million*
Internal income	(14)	3	(2)	50	17	(17)	(7)	(10)	(20)	—
Net interest income	1,115	345	242	1,097	788	445	660	396	240	5,328
Fees and commissions income, net	406	159	50	152	302	204	296	160	152	1,881
Net trading income	74	56	60	64	166	101	115	91	193	920
Other operating income	34	59	21	159	111	84	6	3	14	491
Operating income	1,615	622	371	1,522	1,384	817	1,070	640	579	8,620
Operating expenses	(720)	(294)	(164)	(972)	(785)	(375)	(514)	(413)	(559)	(4,796)
Operating profit before impairment losses and taxation	895	328	207	550	599	442	556	227	20	3,824
Impairment (losses)/ releases on loans and advances and other credit risk provisions	(7)	(39)	(29)	(96)	(384)	(39)	(53)	(26)	44	(629)
Other impairment	—	—	—	—	(3)	—	—	(9)	(3)	(15)
(Loss)/profit from associates	—	—	—	—	(4)	—	—	—	2	(2)
Profit before taxation	888	289	178	454	208	403	503	192	63	3,178
Loans and advances to customers – average	22,859	12,976	8,671	38,986	12,261	5,876	9,531	2,397	10,415	123,972
Net interest margin (%)	2.3	1.3	2.1	1.9	3.0	3.4	3.8	5.7	0.3	2.5
Loans and advances to customers – period end*	22,037	14,626	9,199	40,029	22,851	6,242	10,516	2,536	12,458	140,494
Loans and advances to banks – period end	6,474	939	161	1,753	4,462	477	1,058	387	5,353	21,064
Total assets employed*#	49,845	25,400	11,849	64,178	46,886	14,386	18,118	7,794	65,918	304,374
Total risk weighted assets and contingents*	23,784	13,681	5,315	35,330	24,874	8,450	13,564	3,287	28,282	156,567
Capital expenditure	78	65	3	35	49	22	37	13	57	359

* Amounts have been restated as explained in note 51 on page 802.

\# Total assets employed includes intra-group items of US$38,784 million and excludes deferred tax assets of US$512 million.

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 2007, corporate items not allocated to businesses relate to profits on disposal of businesses, pre-incorporation costs in China and profits from associates.

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

Total risk weighted assets and contingents include US$6,952 million (2006: US$3,134 million) of balances which are netted in calculating capital ratios.

Capital expenditure comprises additions to property and equipment (note 26) and software related intangibles (note 25) including any post-acquisition additions made by acquired entities.

3. Interest Income

	2007 US$million	*2006 US$million*
Balances at central banks	39	29
Treasury bills	884	746
Loans and advances to banks	1,975	1,177
Loans and advances to customers	10,746	8,997
Listed debt securities	1,081	855
Unlisted debt securities	1,385	1,131
Accrued on impaired assets (discount unwind)	66	52
	16,176	12,987

Total interest income from financial instruments held at amortised cost in 2007 is US$11,070 million (2006: US$8,738 million) and from financial instruments held as available-for-sale is US$2,390 million (2006: US$2,027 million).

4. Interest Expense

	2007 US$million	*2006 US$million*
Deposits by banks	1,497	1,122
Customer accounts:		
Interest bearing current accounts and savings deposits	1,508	1,567
Time deposits	4,552	3,141
Debt securities in issue	1,543	1,186
Subordinated liabilities and other borrowed funds:		
Wholly repayable within five years	245	227
Other	566	416
	9,911	7,659

Total interest expense on financial instruments held at amortised cost in 2007 is US$8,347 million (2006: US$6,948 million).

5. Fees and Commissions

	2007 US$million	*2006 US$million*
Fee income:		
Arising from financial instruments that are not fair valued through profit or loss	1,160	1,145
Arising from trust and other fiduciary activities	302	155
Other	1,727	975
	3,189	2,275
Fee expense:		
Arising from financial instruments that are not fair valued through profit or loss	285	253
Arising from trust and other fiduciary activities	26	14
Other	217	127
	528	394

6. Net Trading Income

	2007 US$million	2006 US$million
Gains less losses on instruments held for trading:		
Foreign currency	862	645
Trading securities	102	109
Interest rate derivatives	257	151
Credit and other derivatives	39	40
Gains less losses from fair value hedged items and hedging instruments	(3)	14
Gains less losses on instruments designated at fair value:		
Financial assets designated at fair value through profit or loss	44	—
Financial liabilities designated at fair value through profit or loss	(37)	(37)
Derivatives managed with financial instruments designated at fair value through profit or loss	(3)	(2)
	1,261	920

7. Other Operating Income

	2007 US$million	2006 US$million
Other operating income includes:		
Gains less losses on available-for-sale financial assets:		
On disposal	339	185
Writedowns on asset backed securities	(87)	—
Gains less losses on disposal of loan and receivable financial assets	3	5
Dividend income	279	77
Gains arising on assets fair valued at acquisition	98	106
Recognition of profit on Visa shares	107	—
Income on repatriation of branch capital	109	—
Gain on effective part disposal of Pakistan branches	—	17
Profit on part disposal of merchant acquiring business	15	—
Net profit on sale of businesses	3	—

8. Operating Expenses

	2007 US$million	2006 US$million
Staff costs:		
Wages and salaries	2,970	2,278
Social security costs	67	74
Other pension costs (note 36)	213	166
Other staff costs	699	395
	3,949	2,913
Premises and equipment expenses:		
Rental of premises	259	215
Other premises and equipment costs	307	208
Rental of computers and equipment	26	21
	592	444
General administrative expenses	1,329	1,171

Wages and salaries include share based payments – see note 41.

The Group employed 69,612 staff at 31 December 2007 (2006: 59,205).

The Company employed nil staff at 31 December 2007 (2006: nil) and it incurred costs of US$7 million (2006: US$2 million).

Directors' emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the directors' remuneration report on pages 73 to 85 of the 2007 Annual Report.

Transactions with directors, officers and other related parties are disclosed in the related parties note 52 on pages 802 to 804 of this Red Herring Prospectus.

Auditor's remuneration

Auditor's remuneration in relation to the Group statutory audit amounts to US$4.4 million (2006: US$3.3 million). The following fees were payable by the Group to their principal auditor, KPMG Audit Plc and its associates (together 'KPMG'):

	2007 US$million	*2006 US$million*
Audit fees for the Group statutory audit:		
Fees relating to the current year	3.8	3.3
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	9.7	7.6
Other services pursuant to legislation	3.0	1.6
Tax services	0.4	1.0
Services relating to information technology	0.1	0.1
Services relating to corporate finance transactions	0.8	1.4
All other services	0.3	0.2
Total fees payable	18.7	15.2

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 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 US$0.3 million (2006: US$0.2 million) by parties other than the Group but where the Group are 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 disclosed because such fees are disclosed on a consolidated basis for the Group.

9. Depreciation and Amortisation

	2007 *US$million*	*2006* *US$million*
Premises	78	57
Equipment	104	78
Intangibles:		
Software	86	81
Acquired on business combinations	77	52
	345	268

10. Other Impairment

	2007 *US$million*	*2006* *US$million*
Intangible assets	17	—
Impairment losses on available-for-sale financial assets	40	15
	57	15

Impairment of intangible assets consists of the write-off of a customer relationship asset relating to Whistlejacket. Impairment losses on available-for-sale financial assets includes US$35 million (2006: US$nil million) impairment on asset backed securities.

11. Taxation

Analysis of taxation charge in the year:

	2007 *US$million*	*2006* *US$million*
The charge for taxation based upon the profits for the year comprises:		
United Kingdom corporation tax at 30% (2006: 30%):		
Current tax on income for the year	385	229
Adjustments in respect of prior periods (including double taxation relief)*	(18)	(244)
Double taxation relief	(385)	(208)
Foreign tax:		
Current tax on income for the year	1,258	868
Adjustments in respect of prior periods*	13	33
Total current tax	1,253	678
Deferred tax:		
Origination/reversal of temporary differences	(167)	57
Adjustments in respect of prior periods*	(40)	89
Total deferred tax	(207)	146
Tax on profits on ordinary activities	1,046	824
Effective tax rate	25.9%	25.9%

* Re-presented to identify separately all adjustments in respect of prior periods for United Kingdom, and foreign and deferred taxation.

Overseas taxation includes taxation on Hong Kong profits of US$195 million (2006: US$166 million) provided at a rate of 17.5% (2006: 17.5%) on the profits assessable in Hong Kong. With effect from 1 April 2008, the United Kingdom corporation tax rate is to be reduced from 30% to 28%. As a result, deferred tax assets and liabilities have been re-measured at the reduced tax rate where the asset or liability is settled after 1 April 2008.

The taxation charge for the year is lower than the standard rate of corporation tax in the United Kingdom, 30%.

The differences are explained below:

	2007 US$million	*2006 US$million*
Profit on ordinary activities before taxation	4,035	3,178
Tax at 30% (2006: 30%)	1,211	953
Effects of:		
Tax free income	(203)	(52)
Lower tax rates on overseas earnings	(176)	(191)
Higher tax rates on overseas earnings	222	173
Adjustments to tax charge in respect of previous periods	(45)	(122)
Other items	37	63
Tax on profits on ordinary activities	1,046	824

Tax recognised directly in equity:

	2007 US$million	*2006 US$million*
Current tax credit on share based payments	38	18
Current tax credit on available-for-sale assets	—	5
Total current tax recognised in equity	38	23
Deferred tax charge on available-for-sale assets	(38)	(70)
Deferred tax charge on pensions	(71)	(38)
Deferred tax (charge) on share based payments	(61)	29
Deferred tax credit/(charge) on cash flow hedges	7	(25)
Deferred tax on other items	(1)	8
Total deferred tax recognised in equity	(164)	(96)
Total tax recognised in equity	(126)	(73)

12. Dividends

	2007		*2006*	
Ordinary Equity Shares	*Cents per share*	*US$million*	*Cents per share*	*US$million*
Final dividend declared and paid during the period	50.21	695	45.06	595
Interim dividend declared and paid during the period	23.12	324	20.83	277
	73.33	1,019	65.89	872

Preference Shares		*2007 US$million*	*2006 US$million*
Non-cumulative irredeemable preference shares:	$7\frac{3}{8}$ % preference shares of £1 each*	15	14
	$8\frac{1}{4}$ % preference shares of £1 each*	16	15
Non-cumulative redeemable preference shares:	8.9% preference shares of US$5 each	—	22
	6.409% preference shares of US$5 each	28	3

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

Dividends on ordinary equity and redeemable preference shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2007 final ordinary equity share dividend of 56.23 cents per share (US$793 million) will be paid in either Sterling, Hong Kong Dollars or US Dollars on 16 May 2008 to shareholders on the UK register of members at the close of business in the UK (5.00 pm GMT) on 7 March 2008, 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 7 March 2008. It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of this dividend will be sent to shareholders on or around 27 March 2008.

13. Earnings Per Ordinary Share

	2007			*2006*		
	Profit US$million*	*Weighted average number of shares ('000)*	*Per share amount cents*	*Profit* US$million*	*Weighted average number of shares ('000)*	*Per share amount cents*
Basic earnings per ordinary share	2,813	1,398,747	201.1	2,253	1,332,985	169.0
Effect of dilutive potential ordinary shares:						
Options	—	17,048	—	16,050		
Diluted earnings per share	2,813	1,415,795	198.7	2,253	1,349,035	167.0

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.

	2007 US$million	*2006 US$million*
Profit attributable to ordinary shareholders*	2,813	2,253
Premium and costs paid on repurchase of subordinated liabilities	—	4
Amortisation of intangible assets arising on business combinations	77	52
Profit on sale of property, plant and equipment	(1)	(16)
Gain on transfer of branches	—	(17)
Pre-incorporation costs in China	8	4
Net profit on sale of businesses	(3)	—
Profit on partial disposal of merchant acquiring business	(15)	—
Foreign exchange gain on repatriation of branch capital	(109)	—
Impairment of customer relationship intangible	17	—
Tax on normalised items	(23)	(5)
Normalised earnings	2,764	2,275
Normalised basic earnings per ordinary share	197.6c	170.7c
Normalised diluted earnings per ordinary share	195.2c	168.6c

* 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 12).

14. Financial Instruments Classification Summary

Financial instruments are classified between four recognition principles: 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 16) is summarised in the table below. Cash and balances at central banks of US$10,175 million (2006: US$7,698 million) is deemed to be held at amortised cost.

	Trading US$million	Designated at fair value through profit or loss US$million	Available-for-sale US$million	Loans and receivables US$million	Held-to-maturity US$million	Total US$million
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
Loans and advances to banks	1,340	—	—	19,724	—	21,064
Loans and advances to customers*	1,000	194	—	139,300	—	140,494
Treasury bills and other eligible bills	2,722	696	12,522	—	—	15,940
Debt securities*	8,906	695	32,711	2,649	137	45,098
Equity shares	162	—	1,478	—	—	1,640
Total at 31 December 2006	14,130	1,585	46,711	161,673	137	224,236

* Amounts have been restated as explained in note 51 on page 802.

	Trading US$million	Designated at fair value through profit or loss US$million	Amortised cost US$million	Total US$million
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
Deposits by banks	1,286	603	26,233	28,122
Customer accounts	485	1,421	147,382	149,288
Debt securities in issue	1,514	1,771	23,514	26,799
Short positions	2,889	—	—	2,889
Total at 31 December 2006	6,174	3,795	197,129	207,098

15. 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 US$738 million (2006: US$194 million).

The fair value loss on loans and advances to customers designated at fair value through profit or loss was US$1.0 million (2006: US$4.7 million). Of this, US$nil million (2006: US$0.4 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was US$0.4 million (2006: US$0.4 million).

The changes in fair value attributable to credit risk was 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.

	2007			*2006*		
	Trading US$million	*Designated at fair value through profit or loss US$million*	*Total US$million*	*Trading US$million*	*Designated at fair value through profit or loss US$million*	*Total US$million*
Loans and advances to banks	2,314	—	2,314	1,340	—	1,340
Loans and advances to customers	1,978	738	2,716	1,000	194	1,194
Treasury bills and other eligible bills	2,942	453	3,395	2,722	696	3,418
Debt securities	13,829	334	14,163	8,906	695	9,601
Equity shares	108	262	370	162	—	162
	21,171	1,787	22,958	14,130	1,585	15,715

Debt securities

	2007 US$million	2006 US$million
Issued by public bodies:		
Government securities	5,344	2,321
Other public sector securities	30	45
	5,374	2,366
Issued by banks:		
Certificates of deposit	479	405
Other debt securities	2,672	2,082
	3,151	2,487
Issued by corporate entities and other issuers:		
Other debt securities	5,638	4,748
Total debt securities	14,163	9,601
Of which:		
Listed on a recognised UK exchange	536	418
Listed elsewhere	5,641	2,819
Unlisted	7,986	6,364
	14,163	9,601
Equity shares		
Listed elsewhere	3	36
Unlisted	367	126
Total equity shares	370	162

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:

	2007 US$million	2006 US$million
At 1 January	2	—
Additional amount deferred	10	2
Recognised in income	(3)	—
At 31 December	9	2

Changing one or more of the assumptions to reasonably possible alternatives would not significantly change the fair value.

16. Derivative Financial Instruments

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

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

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

The Group limits its exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net. Details of the amounts available for offset can be found in note 49, under maximum exposure to credit risk.

The Derivatives and Hedging sections of the Risk Review on pages 57 and 58 of the 2007 Annual Report explain the Group's risk management of derivative contracts.

	2007			*2006*		
Total derivatives	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$million*	*Notional principal amounts US$million*	*Assets US$million*	*Liabilities US$million*
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	775,663	7,376	7,852	434,569	3,805	4,165
Currency swaps and options	512,833	8,955	8,516	295,845	4,698	4,793
	1,288,496	16,331	16,368	730,414	8,503	8,958
Interest rate derivative contracts:						
Swaps	979,727	8,473	8,365	653,283	4,353	4,348
Forward rate agreements and options	166,563	556	745	94,244	138	195
Exchange traded futures and options	322,520	336	282	260,182	42	47
	1,468,810	9,365	9,392	1,007,709	4,533	4,590
Credit derivative contracts	21,035	165	160	22,195	49	70
Equity and stock index options	1,057	58	106	699	18	44
Commodity derivative contracts	16,971	285	244	2,469	51	41
Total derivatives	2,796,369	26,204	26,270	1,763,486	13,154	13,703

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

Derivatives held for hedging	2007 Notional principal amounts US$million	2007 Assets US$million	2007 Liabilities US$million	2006 Notional principal amounts US$million	2006 Assets US$million	2006 Liabilities US$million
Derivatives designated as fair value hedges:						
Swaps	13,392	352	161	10,570	589	464
	13,392	352	161	10,570	589	464
Derivatives designated as cash flow hedges:						
Swaps	5,120	35	13	5,596	17	21
Forward foreign exchange contracts	1,414	37	19	921	61	2
	6,534	72	32	6,517	78	23
Total derivatives held for hedging	19,926	424	193	17,087	667	487

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 exchanges fixed rates on assets to match the floating rates paid on funding. 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 US$49 million (2006: losses of US$218 million) compared to losses arising on the hedged items of US$52 million (2006: gains of US$232 million).

Cash flow hedges

The Group uses swaps to manage the variability in future interest 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 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.

The Group has hedged the following cash flows which are expected to impact the income statement in the following periods:

	2007						
	Less than one year US$million	One to two years US$million	Two to three years US$million	Three to four years US$million	Four to five years US$million	Over five years US$million	Total US$million
Forecast receivable cash flows	98	82	31	36	2	1	250
Forecast payable cash flows	(724)	(706)	(14)	(5)	(3)	—	(1,452)
	(626)	(624)	17	31	(1)	1	(1,202)

	2006						
	Less than one year US$million	*One to two years US$million*	*Two to three years US$million*	*Three to four years US$million*	*Four to five years US$million*	*Over five years US$million*	*Total US$million*
Forecast receivable cash flows	101	82	51	18	32	—	284
Forecast payable cash flows	(721)	(335)	(55)	(13)	(3)	—	(1,127)
	(620)	(253)	(4)	5	29	—	(843)

During the year, US$nil million (2006: US$nil million) was recognised in the income statement in respect of ineffectiveness arising on cash flow hedges.

During the period US$58 million (2006: US$20 million) was removed from the cash flow hedging reserve and included in profit and loss. The whole US$58 million (2006: US$20 million) was recognised within operating costs.

17. Loans and Advances to Banks

	2007 US$million	*2006 US$million*
Loans and advances to banks	37,682	21,074
Individual impairment provision (note 20)	(2)	(9)
Portfolio impairment provision (note 20)	(1)	(1)
	37,679	21,064
Of which: loans and advances held at fair value through profit or loss (note 15)	(2,314)	(1,340)
	35,365	19,724

18. Loans and Advances to Customers

	2007 US$million	*2006* US$million*
Loans and advances to customers	158,788	142,709
Individual impairment provision (note 20)	(1,271)	(1,673)
Portfolio impairment provision (note 20)	(535)	(542)
	156,982	140,494
Of which: loans and advances held at fair value through profit or loss (note 15)	(2,716)	(1,194)
	154,266	139,300

* Amounts have been restated as explained in note 51 on page 802.

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 US$5,742 million (2006: US$3,935 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 US$5,155 million (2006: US$3,519 million) arising from the securitisations.

The Group has entered into synthetic loan securitisations of US$11.7 billion (2006: US$5.6 billion) and synthetic trade receivable securitisations of US$12.7 billion (2006: US$1.5 billion). The assets remain on the Group's balance sheet and the Group continues to be exposed to some credit risks and foreign exchange risks on these assets.

The Group's exposure to credit risk is concentrated in Hong Kong, Korea, Singapore and the Other Asia Pacific region. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty and credit risk is spread over a variety of different personal and commercial customers. The Group has outstanding residential mortgage loans to Korea residents of US$22.6 billion (2006: US$24.0 billion) and Hong Kong residents of approximately US$11.8 billion (2006: US$11.2 billion).

19. Assets Leased to Customers

Finance leases and instalment credit

	2007 US$million	*2006 US$million*
Finance leases	506	639
Instalment credit agreements	1,127	1,019
	1,633	1,658

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 US$140 million (2006: US$720 million).

	2007 US$million	*2006 US$million*
Minimum lease receivables under finance leases falling due:		
Within one year	61	88
Later than one year and less than five years	511	496
After five years	12	157
	584	741
Interest income relating to future periods	(78)	(102)
Present value of finance lease receivables	506	639

Operating lease assets

Assets leased to customers under operating leases consist of commercial aircraft which are included within property, plant and equipment in note 26. At 31 December 2007 these assets had a net book value of US$200 million (2006: US$nil million).

	2007 US$million	*2006 US$million*
Minimum lease receivables under operating leases falling due:		
Within one year	10	—
Later than one year and less than five years	21	—
After five years	5	—
	36	—

20. Impairment Provisions on Loans and Advances

	2007 *US$million*	*2006** *US$million*
At 1 January	2,225	1,754
Exchange translation differences	28	74
Acquisitions	—	743
Amounts written off	(1,183)	(962)
Recoveries of acquisition fair values	(98)	(106)
Recoveries of amounts previously written off	139	128
Discount unwind	(66)	(52)
Other	10	12
New provisions	1,352	1,131
Recoveries/provisions no longer required	(598)	(497)
Net charge against profit**	754	634
Provisions held at 31 December#	1,809	2,225

* Amounts have been restated as explained in note 51 on page 802.

** The net charge of US$754 million (2006: US$634 million) comprises US$769 million (2006: US$604 million) individual impairment charge and US$(15) million (2006: US$30 million) portfolio impairment (release)/charge. It excludes provision releases of US$3 million (2006: US$11 million) for credit commitments (note 35) and impairment charges of US$10 million (2006: US$6 million) relating to debt securities designated as loans and receivables (note 22).

The provision of US$1,809 million held at 31 December 2007 (2006: US$2,225 million) comprises US$1,273 million (2006: US$1,682 million) individual impairment provision and US$536 million (2006: US$543 million) portfolio impairment provision.

The following table shows impairment provisions by each principal category of borrowers' business or industry:

	2007 *US$million*	*2006** *US$million*
Loans to individuals		
Mortgages	99	132
Other	200	226
Small and medium enterprises	356	494
Consumer Banking	655	852
Agriculture, forestry and fishing	33	23
Construction	10	4
Commerce	152	169
Electricity, gas and water	25	6
Financing, insurance and business services	27	20
Mining and quarrying	12	36
Manufacturing	290	507
Commercial real estate	23	12
Transport, storage and communication	22	31
Other	22	13
Wholesale Banking	616	821
Individual impairment provision against loans and advances to customers (note 18)	1,271	1,673
Individual impairment provision against loans and advances to banks (note 17)	2	9
Portfolio impairment provision (note 17, 18)	536	543
Total impairment provisions on loans and advances	1,809	2,225

* Amounts have been restated as explained in note 51 on page 802.

21. Individually Impaired Loans and Advances

	2007			2006		
	Consumer Banking US$million	*Wholesale Banking US$million*	*Total US$million*	*Consumer Banking US$million*	*Wholesale Banking US$million*	*Total US$million*
Individual impaired loans	1,172	990	2,162	1,761	1,368	3,129
Individual impairment provisions	(655)	(618)	(1,273)	(852)	(830)	(1,682)
Net impaired loans	517	372	889	909	538	1,447

Net impaired loans within Wholesale Banking includes individually impaired loans to banks of US$10 million (2006: US$18 million) and individual impairment provisions on these loans of US$2 million (2006: US$9 million). Collateral held as security against impaired loans primarily relates to property and equipment. The fair value of collateral held against impaired loans is estimated at US$1,121 million (2006: US$1,466 million), of which US$918 million (2006: US$1,068 million) relates to Consumer Banking and US$203 million (2006: US$398 million) to Wholesale Banking. 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.

22. Investment Securities

	Held-to-maturity US$million	*Available-for-sale US$million*	*Loans and receivables US$million*	*Total US$million*
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
Treasury and other eligible bills	—	12,522	—	12,522
Debt securities*	137	32,711	2,649	35,497
Equity shares	—	1,478	—	1,478
At 31 December 2006	137	46,711	2,649	49,497

* Amounts have been restated as explained in note 51 on page 802.

	2007					
	Debt securities					
	Held-to-maturity US$million	*Available-for-sale US$million*	*Loans and receivables US$million*	*Equity shares US$million*	*Treasury bills US$million*	*Total US$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

	2006					
	Debt securities					
	Held-to-maturity US$million	Available-for-sale US$million	Loans and receivables US$million	Equity shares US$million	Treasury bills US$million	Total US$million
Issued by public bodies:						
Government securities	137	10,379	—			
Other public sector securities	—	1,403	—			
	137	11,782	—			
Issued by banks:						
Certificates of deposit	—	8,433	2,280			
Other debt securities	—	9,505	178			
	—	17,938	2,458			
Issued by corporate entities and other issuers:						
Other debt securities	—	2,991	191			
Total debt securities	137	32,711	2,649			
Listed on a recognised UK exchange	—	6,679	—	38	—	6,717
Listed elsewhere	113	10,183	132	795	7,027	18,250
Unlisted	24	15,849	2,517	645	5,495	24,530
	137	32,711	2,649	1,478	12,522	49,497
Market value of listed securities	109	16,862	130	833	7,027	24,961

* Amounts have been restated as explained in note 51 on page 802.

Equity shares largely comprise investments in corporates.

The change in the carrying amount of investment securities comprised:

	2007				2006			
	Debt securities US$million	Equity shares US$million	Treasury bills US$million	Total US$million	Debt securities* US$million	Equity shares US$million	Treasury bills US$million	Total US$million
At 1 January	35,497	1,478	12,522	49,497	26,710	954	10,199	37,863
Exchange translation differences	846	20	171	1,037	949	9	528	1,486
Acquisitions	—	—	—	—	1,155	21	842	2,018
Additions	53,574	1,248	23,470	78,292	47,411	328	23,376	71,115
Maturities and disposals	(48,850)	(970)	(24,637)	(74,457)	(40,909)	(337)	(22,650)	(63,896)
Provisions	(45)	(3)	(2)	(50)	(6)	(4)	(16)	(26)
Changes in fair value (including the effect of fair value hedging)	(205)	920	(19)	696	142	510	28	680
Amortisation of discounts and premiums	100	(3)	162	259	45	(3)	215	257
At 31 December	40,917	2,690	11,667	55,274	35,497	1,478	12,522	49,497

* Amounts have been restated as explained in note 51 on page 802.

Treasury bills and other eligible bills include US$492 million (2006: US$393 million) of bills sold subject to sale and repurchase transactions. Debt securities include US$1,958 million (2006: US$896 million) of securities sold subject to sale and repurchase transactions.

At 31 December 2007, unamortised premiums on debt securities held for investment purposes amounted to US$46 million (2006: US$39 million) and unamortised discounts amounted to US$186 million (2006: US$112 million).

Income from listed equity shares amounted to US$9 million (2006: US$4 million) and income from unlisted equity shares amounted to US$270 million (2006: US$73 million).

The change in impairment provisions is as follows:

	2007				*2006*			
	Debt securities US$million	*Equity shares US$million*	*Treasury bills US$million*	*Total US$million*	*Debt securities* US$million*	*Equity shares US$million*	*Treasury bills US$million*	*Total US$million*
At 1 January	9	23	10	42	4	30	16	50
Exchange translation differences	—	1	(10)	(9)	—	1	(15)	(14)
Amounts written off	—	(5)	—	(5)	(1)	(12)	(7)	(20)
New provisions*	45	3	2	50	6	4	16	26
At 31 December	54	22	2	78	9	23	10	42

* Of the new provisions raised of US$50 million (2006: US$26 million), US$10 million (2006: US$6 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 Impairments'.

23. Investments in Subsidiary Undertakings, Joint Ventures and Associates

Investment in subsidiary undertakings	*2007 US$million*	*2006 US$million*
At 1 January 2007	9,656	7,973
Additions	750	2,683
Redemption of capital	—	(1,000)
At 31 December 2007	10,406	9,656

At 31 December 2007, 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	99.0%
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 Capital Management (Jersey) LLC, United States	United States	100%
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%

* Formerly Hsinchu International Bank.

Details of all Group companies will be filed with the next annual return of the Company.

Joint venture

The Group has a 44.51% interest through a joint venture company which holds a majority investment in PT Bank Permata Tbk ('Permata'), in Indonesia. The Group proportionately consolidates its share of the assets, liabilities, income and expense of Permata on a line by line basis.

Contingent liabilities set out in note 45, include US$72 million (2006: US$24 million) relating to this joint venture arrangement. These mainly comprise banking guarantees and irrevocable letters of credit.

There are no capital commitments related to the Group's investment in Permata.

Related party transactions are disclosed in note 52.

The following amounts have been included in the consolidated accounts of the Group:

	2007 *US$million*	*2006* *US$million*
Current assets	663	549
Long-term assets	1,332	1,472
Total assets	1,995	2,021
Current liabilities	(1,484)	(1,580)
Long-term liabilities	(140)	(81)
Total liabilities	(1,624)	(1,661)
	371	360
Income	161	100
Expenses	(111)	(73)
Impairment	(17)	(17)
Operating profit	33	10
Tax	2	(2)
Share of post tax result from joint venture	35	8

Long-term assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

Interests in associates

	2007 *US$million*	*2006* *US$million*
At 1 January	218	128
Additions	51	90
At 31 December	269	218
Profit/(loss) for the year	1	(2)
Total assets	944	355
Total liabilities	(774)	(216)
	170	139

The Group's principal associates are:

Associate	*Main areas of operation*	*Group interest in ordinary share capital*
China Bohai Bank Co., Ltd	China	19.9%
Fleming Family & Partners	Asia	20.0%
First Africa Holdings	Africa	25.0%
MCashback Limited	UK	30.0%
Merchant Solutions Limited	Hong Kong	44.0%

The Group's investment in China Bohai Bank Co., Ltd is less than 20% but is considered to be an associate because of the significant influence the Group is able to exercise over the company's management, financial and operating policies.

On 9 February 2007, the Group acquired a 30% interest in MCashback Limited, for US$36 million. In October 2007, the Group obtained a 44% interest in Merchant Solutions Limited. The reporting dates of these associates are within three months of the Group's reporting date.

24. Business Combinations

2007 acquisitions

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

The acquired businesses contributed operating income of US$7 million and loss before tax of US$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 US$11,132 million and profit before taxation would have been approximately US$4,043 million.

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

	US$million
Details of net assets acquired and goodwill are as follows:	
Purchase consideration:	
– cash paid	151
– loan notes issued	5
– deferred consideration	65
– direct costs relating to the acquisitions	3
Total purchase consideration	224
Fair value of net assets acquired	187
Goodwill	37

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

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

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

	Fair value US$million	*Acquiree's carrying amount US$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	189	152
Deferred tax assets	4	4
Other assets	28	28
Total assets	352	252
Other liabilities	162	162
Total liabilities	162	162
Minority interest	3	—
Net assets acquired	187	90
Purchase consideration settled in cash	151	
Cash and cash equivalents in subsidiaries acquired	(66)	
Cash outflow on acquisition	85	

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

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

The intangible assets acquired as part of the acquisitions can be analysed as follows:

	US$million
Brand names	6
Customer relationships	55
Capitalised software	2
Total	63

2006 acquisitions

On 5 September 2006, the Group acquired 95.4% of the share capital of Union, following which on 30 December 2006, the business and assets of the Standard Chartered Bank branch in Pakistan was transferred into a new entity, Standard Chartered (Pakistan) Limited, generating additional goodwill of US$17 million and increasing the Group's shareholding to 99%.

On 19 October 2006, the Group acquired a controlling interest of 95.4% of the share capital of Hsinchu. Subsequent to this, the Group acquired a further 0.8% of Hsinchu through share purchase to take its overall share to 96.2% at 31 December 2006.

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

	Union		*Hsinchu*	
	*Fair value** *US$million*	*Acquiree's carrying amount US$million*	*Fair value** *US$million*	*Acquiree's carrying amount US$million*
Cash and balances at central banks	148	148	481	481
Financial assets held at fair value through profit or loss	—	—	563	563
Loans and advances to banks	104	104	440	440
Loans and advances to customers	1,118	1,206	9,225	9,352
Investment securities	404	411	1,614	1,609
Intangibles other than goodwill	55	3	122	—
Property, plant and equipment	44	28	287	307
Deferred tax assets	43	1	162	151
Other assets	48	61	212	213
Total assets	1,964	1,962	13,106	13,116
Deposits by banks	425	425	988	988
Customer accounts	1,320	1,309	10,709	10,709
Debt securities in issue	—	—	532	532
Other liabilities	97	96	48	41
Retirement benefit obligations	—	—	116	27
Subordinated liabilities and other borrowed funds	40	41	545	545
Total liabilities	1,882	1,871	12,938	12,842
Minority interest	7	7	8	10
Net assets acquired	75	84	160	264
Purchase consideration settled in cash	489		1,201	
Cash and cash equivalents in subsidiary acquired	(164)		(589)	
Cash outflow on acquisition	325		612	
Total purchase consideration	489		1,201	
Fair value of net assets acquired	75		160	
Goodwill	414		1,041	
Intangible assets acquired:				
Brand names	6		24	
Customer relationships	13		43	
Core deposits	33		55	
Capitalised software	3		—	
Total	55		122	

* During 2007 certain of the provisionally determined fair value amounts have been finalised and in accordance with IFRS 3 Business Combinations, the adjustments have been made as at the date of acquisition and the 2006 balance sheet amounts restated. Details of these adjustments are explained in note 51.

Goodwill arising on the acquisitions of Union and Hsinchu 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 branch networks and, for Hsinchu, a workforce in place with Mandarin speaking capabilities.

25. Goodwill and Intangible Assets

	2007				2006*			
	Goodwill US$million	*Acquired intangibles US$million*	*Software US$million*	*Total US$million*	*Goodwill US$million*	*Acquired intangibles US$million*	*Software US$million*	*Total US$million*
Cost								
At 1 January	6,192	439	458	7,089	4,451	218	462	5,131
Exchange translation differences	42	(4)	18	56	212	18	19	249
Acquisitions	71	63	—	134	1,529	179	9	1,717
Additions	—	—	155	155	—	25	89	114
Disposals	—	—	(4)	(4)	—	—	(18)	(18)
Amounts written off	—	(21)	(83)	(104)	—	—	(99)	(99)
Other movements	—	—	(11)	(11)	—	(1)	(4)	(5)
At 31 December	6,305	477	533	7,315	6,192	439	458	7,089
Provision for amortisation								
At 1 January	514	88	240	842	514	32	264	810
Exchange translation differences	—	(1)	7	6	—	4	8	12
Amortisation for the period	—	77	86	163	—	52	81	133
Disposals	—	—	—	—	—	—	(17)	(17)
Amounts written off	—	(4)	(72)	(76)	—	—	(96)	(96)
At 31 December	514	160	261	935	514	88	240	842
Net book value	5,791	317	272	6,380	5,678	351	218	6,247

* Amounts have been restated as explained in note 51 on page 802.

At 1 January 2006, the net book value was: goodwill, US$3,937 million; acquired intangibles, US$186 million; and software, US$198 million.

At 31 December 2007, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to US$69 million (2006: US$69 million).

	2007 US$million	*2006 US$million*
Acquired intangibles comprise:		
Core deposits	108	148
Customer relationships	103	90
Brand names	102	109
Licences	4	4
Net book value	317	351

Acquired intangibles primarily comprise those recognised as part of the acquisitions of SC First Bank ('SCFB'), Permata, Union Bank, Hsinchu, Pembroke and Harrison Lovegrove. 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:

Acquisition	*Cash Generating Unit*	*Goodwill US$million*
SCFB	Korean business	1,904
Union	Pakistan business	431
Hsinchu	Taiwan business	1,100
Manhattan Card Business	Credit card and personal loan – Asia, India & MESA	896
Grindlays (India)	India business	423
Grindlays (MESA)	MESA business	368
Standard Chartered Bank (Thai)	Thailand business	307
Permata	Group's share of Permata	163
Other		199
		5,791

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 Permata (five years). These are then extrapolated 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.

SCFB

SCFB was acquired in April 2005 with initial goodwill recognised of US$1,738 million. The business comprises Consumer and Wholesale Banking operations in Korea.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 4.2% in line with the long-term forecast GDP growth of Korea. A pre-tax discount rate of 16.4% was used.

Union

Union was acquired in September 2006 with initial goodwill recognised of US$414 million. Additional goodwill of US$17 million arose as a result of a share swap. The business comprises Consumer and Wholesale Banking operations in Pakistan.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 7.4% in line with the long-term forecast GDP growth of Pakistan. A pre-tax discount rate of 26.1% was used.

Hsinchu

Hsinchu was acquired in October 2006 with initial goodwill recognised of US$1,041 million and a further US$34 million in 2007. The business comprises Consumer and Wholesale Banking operations in Taiwan.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 4.5% in line with the long-term forecast GDP growth of Taiwan. A pre-tax discount rate of 14.9% was used.

Manhattan Card Business

Manhattan Card Business was acquired in 2000 with initial goodwill recognised of US$1,061 million. This was amortised to US$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 assumed that growth would increase at a steady rate of 3.8% in line with the long-term forecast global GDP growth. A pre-tax discount rate of 13.0% was used.

Grindlays (India)

Grindlays (India) was acquired in 2000 with initial goodwill recognised of US$446 million. This was amortised to US$366 million under UK GAAP until 31 December 2003. It comprises Consumer and Wholesale Banking operations in India.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 7.1% in line with the long-term forecast GDP growth of India. A pre-tax discount rate of 26.5% was used.

Grindlays (MESA)

Grindlays (MESA) was acquired in 2000 with initial goodwill recognised of US$446 million. This was amortised to US$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 assumed that growth would increase at a steady rate of 3.8% in line with the long term forecast GDP growth of MESA. A pre-tax discount rate of 15.8% was used.

Standard Chartered Bank (Thai)

75% of Standard Chartered Bank (Thai) was acquired in 1999 with initial goodwill recognised of US$222 million. This was amortised to US$204 million under UK GAAP until 31 December 2003. In 2005 the Group acquired the remaining 25%, increasing goodwill to US$272 million. The business comprises Consumer and Wholesale Banking operations in Thailand.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 5.6% in line with the long term forecast GDP growth of Thailand. A pre-tax discount rate of 19.5% was used.

Permata

31.55% of Permata was acquired in 2004 with initial goodwill recognised of US$115 million. A further 12.96% was acquired in September 2006 with goodwill of US$57 million. This business comprises Consumer and Wholesale Banking operations in Indonesia.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 5.4% in line with the long-term forecast GDP growth of Indonesia. A pre-tax discount rate of 25.9% was used.

26. Property, Plant and Equipment

	2007			2006*		
	Premises US$million	*Equipment US$million*	*Total US$million*	*Premises US$million*	*Equipment US$million*	*Total US$million*
Cost or valuation						
At 1 January	2,184	509	2,693	1,694	414	2,108
Exchange translation differences	71	20	91	106	10	116
Additions	309	162	471	146	99	245
Acquisitions	—	189	189	288	47	335
Disposals and fully depreciated assets written off	(55)	(55)	(110)	(47)	(64)	(111)
Reclassification**	202	(8)	194	(3)	3	—
At 31 December	2,711	817	3,528	2,184	509	2,693
Depreciation						
Accumulated at 1 January	215	310	525	177	287	464
Exchange translation differences	5	17	22	6	7	13
Charge for the year	78	104	182	57	78	135
Attributable to assets sold or written off	(37)	(51)	(88)	(25)	(62)	(87)
Accumulated at 31 December	261	380	641	215	310	525
Net book amount at 31 December	2,450	437	2,887	1,969	199	2,168

* Amounts have been restated as explained in note 51 on page 802.
** Reclassified from other assets.

At 1 January 2006, the net book value was: premises, US$1,517 million; and equipment, US$127 million.

Assets held under finance leases have the following net book amount:

	2007		2006	
	Premises US$million	*Equipment US$million*	*Premises US$million*	*Equipment US$million*
Cost	53	13	47	4
Aggregate depreciation	(6)	(5)	(4)	(2)
Net book amount	47	8	43	2

The Group's premises leases include rent review periods, renewal terms and in some cases purchase options.

	2007 US$million	2006 US$million
Minimum lease payments under finance leases falling due:		
Within one year	4	1
Later than one year and less than five years	8	2
	12	3
Future finance charges on finance leases	(2)	—
Present value of finance lease liabilities	10	3

27. 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 2007 US$million	*Exchange & other adjustments US$million*	*Acquisitions/ disposals* US$million*	*Charge/ (credit) to profit US$million*	*Charge/ (credit) to equity US$million*	*At 31 December 2007 US$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	—	(143)	—	(106)
	(512)	—	(4)	(207)	164	(559)

	At 1 January 2006 US$million	*Exchange & other adjustments US$million*	*Acquisitions/ disposals* US$million*	*Charge/ (credit) to profit US$million*	*Charge/ (credit) to equity US$million*	*At 31 December 2006 US$million*
Deferred taxation comprises:						
Accelerated tax depreciation	(34)	30	(10)	4	—	(10)
Impairment provisions on loans and advances	(185)	(27)	(123)	160	—	(175)
Tax losses carried forward	(7)	—	(22)	(24)	—	(53)
Available-for-sale assets	(32)	(2)	—	—	70	36
Premises revaluation	12	—	—	5	—	17
Cash flow hedges	(1)	—	—	—	25	24
Unrelieved foreign tax	—	—	—	(76)	—	(76)
Retirement benefit obligations	(160)	(12)	(32)	(8)	38	(174)
Share based payments	(101)	—	—	(1)	(29)	(131)
Other temporary differences	10	(40)	(18)	86	(8)	30
	(498)	(51)	(205)	146	96	(512)

Deferred taxation comprises assets and liabilities as follows:

	2007			2006*		
	Total US$million	Asset US$million	Liability US$million	Total US$million	Asset US$million	Liability US$million
Deferred taxation comprises:						
Accelerated tax depreciation	(56)	(79)	23	(10)	(42)	32
Impairment provisions on loans and advances	(275)	(273)	(2)	(175)	(238)	63
Tax losses carried forward	(52)	(52)	—	(53)	(53)	—
Available-for-sale assets	79	77	2	36	15	21
Premises revaluation	17	15	2	17	16	1
Cash flow hedges	20	19	1	24	23	1
Unrelieved foreign tax	(57)	(57)	—	(76)	(76)	—
Retirement benefit obligations	(41)	(41)	—	(174)	(165)	(9)
Share based payments	(88)	(88)	—	(131)	(131)	—
Other temporary differences	(106)	(108)	2	30	37	(7)
	(559)	(587)	28	(512)	(614)	102

* Amounts have been restated as explained in note 51 on page 802.

	2007 US$million	2006 US$million
No account has been taken of the following potential deferred taxation assets/(liabilities):		
Unrelieved foreign tax	408	222
Unremitted earnings from overseas subsidiaries	(369)	(282)
Foreign exchange movements on investments in branches	(136)	(41)
Tax losses	56	34

28. Other Assets

	2007 US$million	2006 US$million
Hong Kong SAR Government certificates of indebtedness (note 34)	2,862	2,605
Other	8,149	5,996
	11,011	8,601

The government of Hong Kong certificates of indebtedness are subordinated to the claims of other parties.

29. Deposits by Banks

	2007 US$million	2006 US$million
Deposits by banks	25,880	26,233
Deposits by banks included within:		
Financial liabilities held at fair value through profit or loss (note 31)	2,705	1,889
	28,585	28,122

30. Customer Accounts

	2007 US$million	2006 US$million
Customer accounts	179,760	147,382
Customer accounts included within:		
Financial liabilities held at fair value through profit or loss (note 31)	2,836	1,906
	182,596	149,288

Included in customer accounts were deposits of US$2,805 million (2006: US$1,724 million) held as collateral for irrevocable commitments under import letters of credit.

31. Financial Liabilities Held at Fair Value through Profit or Loss

		2007	
	Trading US$million	Designated at fair value through profit or loss US$million	Total US$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

		2006	
	Trading US$million	Designated at fair value through profit or loss US$million	Total US$million
Deposits by banks	1,286	603	1,889
Customer accounts	485	1,421	1,906
Debt securities in issue	1,514	1,771	3,285
Short positions	2,889	—	2,889
	6,174	3,795	9,969

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 fair value loss on liabilities designated at fair value through profit or loss was US$37.3 million for the year (2006: US$31.2 million). Of this, a gain of US$0.2 million (2006: loss of US$3.7 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was a loss of US$5.2 million (2006: a loss of US$5.4 million).

As at 31 December 2007, the amount the Group is contractually obliged to pay at maturity to the holders of these obligations was US$52 million (2006: US$68 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.

32. Debt Securities in Issue

	2007			2006		
	Certificates of deposit of US$100,000 or more US$million	*Other debt securities in issue US$million*	*Total US$million*	*Certificates of deposit of US$100,000 or more US$million*	*Other debt securities in issue US$million*	*Total US$million*
Debt securities in issue	8,502	18,635	27,137	10,939	12,575	23,514
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 31)	951	4,065	5,016	1,154	2,131	3,285
	9,453	22,700	32,153	12,093	14,706	26,799

33. Structure of Deposits

The following tables set out the structure of the Group's deposits by principal geographic areas as at 31 December 2007 and 31 December 2006:

	2007									
	Asia Pacific									
	Hong Kong US$million	*Singapore US$million*	*Malaysia US$million*	*Korea US$million*	*Other Asia Pacific US$million*	*India US$million*	*Middle East & Other S Asia US$million*	*Africa US$million*	*Americas UK & Europe US$million*	*Total US$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

	2006									
	Asia Pacific									
	Hong Kong US$million	Singapore US$million	Malaysia US$million	Korea US$million	Other Asia Pacific US$million	India US$million	Middle East & Other S Asia US$million	Africa US$million	Americas UK & Europe US$million	Total US$million
Non-interest bearing current and demand accounts	3,320	1,722	1,435	163	2,123	2,082	3,654	1,649	894	17,042
Interest bearing current accounts and savings deposits	16,904	4,821	1,002	15,274	16,545	1,456	2,985	1,585	5,529	66,101
Time deposits	18,961	9,754	5,211	16,682	12,293	4,073	6,901	1,575	13,574	89,024
Other deposits	14	7	750	1,756	1,507	241	568	140	260	5,243
Total	39,199	16,304	8,398	33,875	32,468	7,852	14,108	4,949	20,257	177,410
Deposits by banks	734	1,276	597	9,297	5,869	871	1,968	323	7,187	28,122
Customer accounts	38,465	15,028	7,801	24,578	26,599	6,981	12,140	4,626	13,070	149,288
	39,199	16,304	8,398	33,875	32,468	7,852	14,108	4,949	20,257	177,410
Debt securities in issue	627	1,087	992	17,561	1,597	932	12	171	3,820	26,799
Total	39,826	17,391	9,390	51,436	34,065	8,784	14,120	5,120	24,077	204,209

34. Other Liabilities

	2007 US$million	2006* US$million
Notes in circulation	2,862	2,605
Cash-settled share based payments	73	50
Other liabilities	11,807	8,676
	14,742	11,331

* Amounts have been restated as explained in note 51 on page 802.

Hong Kong currency notes in circulation of US$2,862 million (2006: US$2,605 million) are secured by the government of Hong Kong certificates of indebtedness of the same amount included in other assets (note 28). The Company's liability for cash-settled share based payments as at 31 December 2007 is US$73 million (2006: US$50 million).

35. Provisions for Liabilities and Charges

	Provision for credit commitments US$million	Other provisions US$million	Total US$million
At 1 January 2007	28	17	45
Exchange translation differences	—	1	1
(Release)/charge against profit	(3)	27	24
Provisions utilised	(3)	(27)	(30)
Other	(4)	2	(2)
At 31 December 2007	18	20	38

Provision for credit commitments comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.

36. Retirement Benefit Obligations

Retirement benefit obligations comprise:

	2007 *US$million*	*2006** *US$million*
Defined benefit schemes obligation	313	541
Defined contribution schemes obligation	9	12
Net book amount	322	553

* Amounts have been restated as explained in note 51 on page 802.

	2007 *US$million*	*2006** *US$million*
At 1 January	553	476
Exchange translation differences	7	48
Acquisitions	1	118
Charge against profit (net of finance income)	213	166
Change in net liability	(452)	(255)
At 31 December	322	553

* Amounts have been restated as explained in note 51 on page 802.

Retirement benefit charge comprises:

	2007 *US$million*	*2006* *US$million*
Defined benefit schemes	110	96
Defined contribution schemes	103	70
Charge against profit (note 8)	213	166

The 2007 charge is presented net and includes a finance charge of US$11 million (2006: US$6 million).

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 annum
Return from return seeking assets	5.70% per annum
General increase in salaries	4.40% per annum
Rate of price inflation	2.90% per annum
Increase in pensions:	
In deferment (where applicable)	2.90% per annum
In payment* (pre April 1997 service)	2.70% per annum
In payment (post April 1997 service)	2.20 – 2.90% 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 (US$1,772 million) was sufficient to cover 99.5% of the benefits that had accrued to members. Additional contributions of US$8.4 million were paid during 2007. Additional contributions of US$5.6 million are payable in 2008 and US$1.8 million in each of 2009 and 2010.

Contributions paid to the Fund during 2007 were US$24 million (2006: US$19 million) and regular contributions were set at 32.5% 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 Hong Kong, India, Jersey, Korea, 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 2007.

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 2007 were:

	Funded Defined Benefit Schemes			
	*UK Fund***		*Overseas Scheme**	
	2007 %	*2006* %	*2007* %	*2006* %
Price inflation	3.20	3.00	1.50 – 4.50	1.50 – 4.50
Salary increases	4.70	4.50	3.50 – 6.00	3.25 – 5.50
Pension increases	3.10	2.90	0.00 – 3.10	0.00 – 2.90
Discount rate	5.90	5.20	2.50 – 8.00	2.25 – 8.00
Post-retirement medical trend rate	N/A	N/A	N/A	N/A

* The range of assumptions shown is for the main funded defined benefit overseas schemes in Hong Kong, India, Jersey, Korea, Taiwan and the United States. These comprise over 90% of the total liabilities of funded overseas schemes.

** The assumption for life expectancy for the UK fund assumes that a male member currently aged 60 will live for 27 years (2006: 26 years) and a female member 30 years (2006: 29 years) and a male member currently aged 40 will live for 28 years (2006: 27 years) and a female member 31 years (2006: 30 years) after their 60th birthday.

	Unfunded Schemes			
	*Post-retirement Medical**		*Other*	
	2007 %	*2006* %	*2007* %	*2006* %
Price inflation	2.70	2.70	1.50 – 7.00	2.50 – 7.00
Salary increases	4.00	4.00	3.50 – 9.00	4.00 – 9.00
Pension increases	N/A	N/A	0.00 – 3.10	0.00 – 2.90
Discount rate	6.00	6.00	2.75 – 10.00	3.00 – 10.50
Post-retirement medical rate*	8% in 2007 reducing by 1% per annum to 5% in 2010	9% in 2006 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 2007 were:

	Funded Defined Benefit Schemes				*Unfunded Schemes*			
	UK Fund		*Overseas Schemes*		*Post-retirement Medical*		*Other*	
At 31 December 2007	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$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	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$million*	*Expected return on assets %*	*Value US$million*
Equities	7.50	570	8.00 – 14.00	210	N/A	N/A	N/A	N/A
Bonds	4.50	1,144	4.25 – 8.00	155	N/A	N/A	N/A	N/A
Property	N/A	—	7.00 – 12.00	3	N/A	N/A	N/A	N/A
Others	4.50	108	2.50 – 5.10	149	N/A	N/A	N/A	N/A
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)

* Amounts have been restated as explained in note 51 on page 802.

	Funded Defined Benefit Schemes		*Unfunded Schemes*	
	UK Fund	*Overseas Schemes*	*Post-retirement Medical*	*Other*
At 31 December 2005	*Value US$million*	*Value US$million*	*Value US$million*	*Value US$million*
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 Hong Kong, India, Jersey, Korea, 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.

The pension cost for defined benefit schemes was:

	Funded Defined Benefit Schemes		*Unfunded Schemes*		
Year ending 31 December 2007	*UK Fund US$million*	*Overseas Schemes US$million*	*Post-retirement Medical US$million*	*Other US$million*	*Total US$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 US$128 million and on overseas scheme assets was US$34 million.

The total cumulative amount recognised directly in the Statement of Recognised Income and Expense before tax to date is a gain of US$186 million (2006: loss of US$51 million).

	Funded Defined Benefit Schemes		*Unfunded Schemes*		
Year ending 31 December 2006	*UK Fund US$million*	*Overseas Schemes US$million*	*Post-retirement Medical US$million*	*Other US$million*	*Total US$million*
Current service cost	21	42	—	17	80
Past service cost	9	1	—	(1)	9
Loss on settlements and curtailments	1	—	—	—	1
Expected return on pension scheme assets	(93)	(23)	—	—	(116)
Interest on pension scheme liabilities	92	19	1	10	122
Total charge to profit before deduction of tax	30	39	1	26	96
Gain on assets in excess of expected return*	(23)	(27)	—	—	(50)
Experience (gain)/loss on liabilities	(90)	20	(2)	18	(54)
Total (gain)/loss recognised directly in Statement of Recognised Income and Expense before tax	(113)	(7)	(2)	18	(104)
Deferred taxation	34	3	—	1	38
Total (gain)/loss after tax	(79)	(4)	(2)	19	(66)

* The actual return on the UK fund assets was US$116 million and on overseas scheme assets was US$50 million.

Year ending 31 December 2005	*Funded Defined Benefit Schemes* UK Fund US$million	Overseas Schemes US$million	*Unfunded Schemes* Post-retirement Medical US$million	Other US$million	Total US$million
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 US$184 million and on overseas scheme assets was US$48 million.

** The actual return on the UK fund assets was US$111 million and on overseas scheme assets was US$31 million.

Movement in the pension schemes and post-retirement medical deficit during the year comprise:

Year ending 31 December 2007	*Funded Defined Benefit Schemes* UK Fund US$million	Overseas Schemes US$million	*Unfunded Schemes* Post-retirement Medical US$million	Other US$million	Total US$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)

Year ending 31 December 2006	Funded Defined Benefit Schemes		Unfunded Schemes		
	UK Fund US$million	Overseas Schemes US$million	Post-retirement Medical US$million	Other* US$million	Total* US$million
Deficit at 1 January 2006	(235)	(23)	(11)	(196)	(465)
Contributions	19	51	1	11	82
Current service cost	(21)	(42)	—	(17)	(80)
Past service cost	(9)	(1)	—	1	(9)
Settlement/curtailment costs	(1)	—	—	—	(1)
Other finance income/(charge)	1	4	(1)	(10)	(6)
Actuarial gain/(loss)	113	7	2	(18)	104
Acquisitions	—	(25)	—	(93)	(118)
Exchange rate adjustment	(27)	(3)	—	(18)	(48)
Reclassifications	—	7	—	(7)	—
Deficit at 31 December 2006	(160)	(25)	(9)	(347)	(541)

* Amounts have been restated as explained in note 51 on page 802.

Movement in the pension schemes and post-retirement medical gross assets and obligations during the year comprise:

Year ending 31 December 2007	Assets US$million	Obligations US$million	Total US$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)

Year ending 31 December 2006	Assets US$million	Obligations* US$million	Total* US$million
Deficit at 1 January 2006	1,930	(2,395)	(465)
Contributions	82	—	82
Current service cost	—	(80)	(80)
Past service cost	—	(9)	(9)
Settlement/curtailment costs	—	(1)	(1)
Interest cost	—	(122)	(122)
Expected return on scheme assets	116	—	116
Benefits paid out	(119)	119	—
Actuarial gain	50	54	104
Acquisitions	48	(166)	(118)
Exchange rate adjustment	232	(280)	(48)
Deficit at 31 December 2006	2,339	(2,880)	(541)

* Amounts have been restated as explained in note 51 on page 802.

37. Subordinated Liabilities and Other Borrowed Funds

	2007 US$million	2006 US$million
Subordinated loan capital – issued by subsidiary undertakings		
£675 million 5.375% undated step up Subordinated Notes (callable and floating rate from 2020)	1,276	1,252
£600 million 8.103% Step-Up Callable Perpetual Trust Preferred Securities (callable 2016)	1,356	1,342
£300 million 6.0% Subordinated debt 2018	610	—
£300 million 6.75% Notes 2009	535	526
£200 million 7.75% Notes (callable 2022)	454	454
£30 million Floating Rate Notes 2009	59	58
€750 million 3.625% Subordinated Notes 2017 (Floating rate from 2012)	1,043	946
€700 million 5.875% Subordinated debt 2017	1,013	—
€675 million Floating Rate Notes 2018	983	885
€600 million 5.375% Notes 2009	783	710
€500 million 8.16% non-cumulative Trust Preferred Securities (callable 2010)	734	674
US$1 billion 6.4% Subordinated debt 2017	1,042	—
US$700 million 8.0% Subordinated Notes 2031	753	724
US$500 million Floating Rate Notes 2016	499	498
US$500 million Floating Rate Notes 2015	499	499
US$350 million 4.375% Notes 2014 (Floating rate from 2009)	351	340
US$300 million Floating Rate Note 2017	300	—
US$154 million Subordinated debt 2013	147	148
US$100 million Floating Rate Notes 2018	100	100
US$92 million Subordinated debt 2013	92	92
BWP 75 million Subordinated debt 2017	13	—
BWP 75 million Floating Rate Notes 2012	12	13
BWP 50 million Fixed and Floating Rate Subordinated Notes 2015	8	8
HKD 670 million Floating Rate Notes 2014	86	80
HKD 500 million 3.5% Notes 2014 (Floating rate from 2009)	64	63
IDR 500 billion Floating Rate Notes 2016	23	24
KRW 205 billion Subordinated debt 2009	214	218
KRW 160 billion Subordinated debt 2008	161	167
KRW 136 billion Subordinated debt 2007	—	146
KRW 104 billion Subordinated debt 2007	—	109
KRW 30 billion Subordinated debt 2011	32	32
KRW 27 billion Subordinated debt 2008	28	29
KRW 3 billion Subordinated debt 2011	3	3
MYR 500 million 4.28% Subordinated Bonds 2017	151	—
PKR 1 billion Floating Rate Notes 2015	16	17
PKR 750 million Floating Rate Notes 2011	12	12
PKR 750 million Floating Rate Notes 2008	3	11
TWD 10 billion undated Floating Rate Notes	308	306
TWD 8 billion Floating Rate Notes 2007	—	246
TZS 8 billion Subordinated Notes 2015	7	6
	13,770	10,738

	2007 US$million	2006 US$million
Subordinated loan capital – issued by Company: Primary Capital Floating Rate Notes		
US$400 million	400	400
US$300 million (Series 2)	300	300
US$400 million (Series 3)	400	400
US$200 million (Series 4)	200	200
£150 million	298	294
Other borrowings – issued by Company	372*	367*
	1,970	1,961
Total for Group	15,740	12,699
Total for Company	1,987	1,977

* In the balance sheet of the Company the amount recognised is US$389 million (2006: US$383 million) with the difference being the effect of hedge accounting achieved on a Group basis.

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, US$10,166 million is at fixed interest rates (2006: US$5,118 million).

On 12 April 2007, Standard Chartered Bank (Hong Kong) Limited issued Lower Tier 2 capital in the form of US$300 million Floating Rate Notes, which have a maturity of 10 years, with an issuer's call option after five years.

On 26 April 2007, the Group issued £300 million Lower Tier 2 Step-Up Dated Subordinated notes, which have a maturity of 11 years, with an issuer's call option after six years.

On 26 September 2007, the Group issued US$1,000 million Lower Tier 2 Notes with a coupon of 6.4% maturing September 2017, and €700 million Lower Tier 2 Notes with a coupon of 5.875%, maturing September 2017.

On 15 November 2007 Standard Chartered Bank Malaysia Berhad issued MYR500 million Lower Tier 2 Subordinated Unsecured Floating Rate Notes due 2017, with an issuer's call option after five years.

On 27 November 2007, Standard Chartered Bank Botswana Limited issued BWP75 million Subordinated Unsecured Floating Rate Notes due 2017, with an issuer's call option after five years.

38. Share Capital

The authorised share capital of the Company at 31 December 2007 was US$5,269 million (2006: US$5,113 million) made up of 2,632 million ordinary shares of US$0.50 each, 500 million non-cumulative irredeemable preference shares of £1 each, 300 million non-cumulative redeemable preference shares of US$5 each and one million non-cumulative redeemable preference share of €1,000 each.

The available profits of the Company are distributed to the holders of the issued preference shares in priority to payments made to holders of the ordinary shares and in priority to, or *pari passu* with, any payments to the holders of any other class of shares in issue. On a winding up, the assets of the Company are applied to the holders of the preference shares in priority to any payment to the ordinary shareholders and in priority to, or *pari passu* with, the holders of any other shares in issue, for an amount equal to any dividends accrued and/or payable and the nominal value of the shares together with any premium as determined by the Board. The redeemable preference shares are redeemable at the paid up amount (which includes premium) at the option of the Company in accordance with the terms of the shares. The holders of the preference shares are not entitled to attend or vote at any general meeting except where any relevant dividend due is not paid in full or where a resolution is proposed varying the rights of the preference shares.

As at 31 December 2007, 15,000 US$5 non-cumulative redeemable preference shares were in issue. The irredeemable preference shares of £1 each are classified as other borrowed funds as required by IAS 32.

Group and Company

	Number of ordinary shares (millions)	*Ordinary share capital US$million*	*Preference share capital US$million*	*Total US$million*
At 1 January 2006	1,316	658	2	660
Capitalised on scrip dividend	15	7	—	7
Shares repurchased	—	—	(2)	(2)
Shares issued	53	27	—	27
At 31 December 2006	1,384	692	—	692
Capitalised on scrip dividend	16	8	—	8
Shares issued	10	5	—	5
At 31 December 2007	1,410	705	—	705

On 12 January 2006, the Company issued 3,401,290 new ordinary shares at an average price of 1301 pence per share representing approximately 0.3% of the Company's existing issued ordinary share capital. The middle market price on 12 January 2006 was 1323 pence. The issue of ordinary shares was used to acquire 20% of Fleming Family & Partners Limited.

On 2 October 2006, the Company repurchased the remaining 328,388 8.9% non-cumulative preference shares. The preference shares were repurchased at a premium of US$326 million and were cancelled.

On 4 October 2006, the Company issued 48,500,000 ordinary shares of US$0.50 each at a placing price of 1375 pence per share representing approximately 3.7% of the Company's existing issued ordinary share capital. The middle market price on 4 October 2006 was 1363 pence. The proceeds of the issue of ordinary shares was used to acquire Hsinchu. The placing used a cash box structure involving a Jersey subsidiary ('JerseyCo') which was 89% owned by the Company prior to the transaction. In return for an issue of shares by the Company to the placees, the net proceeds of the placing were paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares and the 11% of the ordinary shares it did not own. Under this structure merger relief applies under Section 131 of the UK Companies Act 1985 which provides relief from the requirements under Section 130 of the UK Companies Act 1985 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the placing proceeds.

On 8 December 2006, the Company issued 7,500 non-cumulative redeemable preference shares of US$5 each at a placing price of US$100,000 each. The shares are redeemable at the option of the Company in accordance with the terms of the shares at their paid up amount (which includes premium) and 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.

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 US$5 each at a placing price of US$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) and 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.

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

The holding of Standard Chartered PLC shares for the beneficiaries of the Group's share based award schemes is set out in note 39.

39. Reserves

Group

	Share premium account US$million*	*Capital reserve US$million*	*Capital redemption reserve US$million*	*Merger reserve US$million*	*Available-for-sale reserve US$million*	*Cash flow hedge reserve US$million*	*Translation reserve US$million*	*Retained earnings US$million*	*Total US$million*
At 1 January 2006	3,034	5	11	1,944	23	(20)	6	6,219	11,222
Recognised income and expense	—	—	—	—	387	71	672	2,354	3,484
Capitalised on scrip dividend	(7)	—	—	—	—	—	—	—	(7)
Shares issued, net of expenses	838	—	—	1,205	—	—	—	—	2,043
Shares repurchased*	—	—	2	—	—	—	—	(328)	(326)
Net own shares adjustment	—	—	—	—	—	—	—	149	149
Share option expense and related taxation	—	—	—	—	—	—	—	115	115
Dividends, net of scrip	—	—	—	—	—	—	—	(519)	(519)
At 31 December 2006	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

* The premium paid on the 8.9% non-cumulative preference shares redeemed in 2006 has been reclassified as a deduction from retained earnings rather than a deduction from the share premium account. Subsequently it has been deemed not appropriate to apply the relief given in section 160(2) of the UK Companies Act 1985 that allows a premium payable on redemption to be paid out of the proceeds of a fresh issue of shares made for the purpose of the redemption. This is because the fresh issue of shares contemplated for the redemption was not complete at the date of the redemption.

Transaction costs relating to share issues deducted from reserves account total US$5 million (2006: US$20 million).

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is US$27 million (2006: US$27 million).

Capital reserves represent the exchange difference on redenomination of share capital and share premium from Sterling to US Dollars in 2001.

Capital redemption reserve represents the nominal value of the repurchase of preference shares redeemed.

The merger reserve represents the premium arising on the shares issued to assist in the funding of certain of the Group's acquisitions. The issues were made using a financing structure which required the Company to create a merger reserve under section 131 of the UK Companies Act 1985.

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.

During 2007, the 1995 trust acquired 190,600 shares at a market price of US$5 million (2006: nil). At 31 December 2007, the 1995 trust held 261,495 (2006: 2,148,874) shares. The shares are held in a pool for the benefit of participants under the Group's Restricted Share Scheme, Supplementary Restricted Share Scheme, Performance Share Plan and Executive Share Option Schemes. The purchase of these shares has been fully funded by the Group.

During the current year the 2004 trust has acquired, at market value, 351,340 (2006: 301,952) shares of the Company for an aggregate price of US$10 million (2006: US$9 million), which are held in a pool for the benefit of participants under the Group's deferred bonus plan. The purchase of these shares has been fully funded by the Group. At 31 December 2007, the 2004 trust held 377,270 (2006: 311,157) shares of the Company, of which none (2006: none) have vested unconditionally.

Own shares held total 638,765 at 31 December 2007 (2006: 2,460,031). The maximum number of shares held during the year was 2,526,144 (2006: 14,040,907). Except as disclosed above, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the Company listed on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2007.

Company

	Share premium account US$million	*Capital reserve US$million*	*Capital redemption reserve US$million*	*Merger reserve US$million*	*Retained earnings US$million*	*Total US$million*
At 1 January 2006	3,034	5	11	1,944	759	5,753
Recognised income and expenses	—	—	—	—	683	683
Capitalised on scrip dividend	(7)	—	—	—	—	(7)
Shares issued, net of expenses	838	—	—	1,205	—	2,043
Net own shares adjustment	—	—	—	—	149	149
Shares repurchased*	—	—	2	—	(328)	(326)
Share option expense and related taxation	—	—	—	—	67	67
Dividends, net of scrip	—	—	—	—	(519)	(519)
At 31 December 2006 as revised	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
Shares repurchased	—	—	—	—	—	—
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

* The premium paid on the 8.9% non-cumulative preference shares redeemed in 2006 has been reclassified as a deduction from retained earnings rather than a deduction from the share premium account. Subsequently it has been deemed not appropriate to apply the relief given in section 160(2) of the UK Companies Act 1985 that allows a premium payable on redemption to be paid out of the proceeds of a fresh issue of shares made for the purpose of the redemption. This is because the fresh issue of shares contemplated for the redemption was not complete at the date of the redemption.

40. Minority Interests

	US$300m 7.267% Hybrid Tier 1 Securities US$million	*Other minority* interests US$million*	*Total US$million*
At 1 January 2006	336	115	451
Arising on acquisitions*	—	15	15
Income/expenses in equity attributable to minority interests	—	35	35
Other profits attributable to minority interests	19	57	76
Recognised income and expense	19	92	111
Distributions	(22)	(33)	(55)
Other increases	—	20	20
At 31 December 2006	333	209	542
Arising on acquisition	—	3	3
Income/expenses 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

* Amounts have been restated as explained in note 51 on page 802.

41. 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 US$117 million (2006: US$96 million) of which US$78 million (2006: US$67 million) relates to equity-settled awards, and US$39 million (2006: US$29 million) relates to cash-settled awards. After deferred tax, the total charge to the income statement was US$99 million (2006: US$93 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% 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.

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 75 to 76 of the 2007 Annual Report. 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.

1997/2006 Restricted Share Scheme

The Group operates a discretionary Restricted Share Scheme ('RSS') for high performing and high potential staff at any level of the organisation whom the Group wishes to motivate and retain. Except upon appointment when an executive director may be granted an award of restricted shares, the RSS is not applicable to executive directors, as it has no performance conditions attached to it. 50% 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.

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.

2004 Deferred Bonus Plan

Under the 2004 DBP, 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 73 to 85 of the 2007 Annual Report.

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. 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% 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.

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 2007 and 2006 is shown below:

	2007		*2006*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	359,207	£8.18	1,114,542	£7.64
Lapsed	(18,250)	£8.09	(4,830)	£7.29
Exercised	(330,151)	£8.26	(750,505)	£7.39
Outstanding at 31 December	10,806	£6.20	359,207	£8.18
Exercisable at 31 December	10,806	£6.20	359,207	£8.18

Range of exercise price for options outstanding	*2007* Weighted average exercise price	*2007* Weighted average remaining contractual life	*2006* Weighted average exercise price	*2006* Weighted average remaining contractual life

Range of exercise price for options outstanding	*2007* Weighted average exercise price	*2007* Weighted average remaining contractual life	*2006* Weighted average exercise price	*2006* Weighted average remaining contractual life
£6.20	£6.20	0.7 years	—	—
£6.20/£8.88	—	—	£8.18	1.1 years

The intrinsic value of vested 1994 ESOS cash-settled awards as at 31 December 2007 was US$nil million (2006: US$0.3 million).

The weighted average share price at the time the options were exercised during 2007 was £15.34 (2006: £14.20).

2000 Executive Share Option Scheme ('2000 ESOS')

No share awards were granted during 2007 or 2006.

A reconciliation of option movements over the year to 31 December 2007 and 2006 is shown below:

	2007 No. of shares	*2007* Weighted average exercise price	*2006* No. of shares	*2006* Weighted average exercise price
Outstanding at 1 January	14,974,196	£8.37	23,634,660	£8.08
Lapsed	(282,650)	£9.04	(204,514)	£9.77
Exercised	(6,116,337)	£8.47	(8,455,950)	£7.52
Outstanding at 31 December	8,575,209	£8.28	14,974,196	£8.37
Exercisable at 31 December	7,931,565	£8.16	8,758,519	£7.63

Range of exercise price for options outstanding	*2007* Weighted average exercise price	*2007* Weighted average remaining contractual life	*2006* Weighted average exercise price	*2006* Weighted average remaining contractual life
£6.905/£10.395	£8.28	5.2 years	£8.37	6.2 years

The intrinsic value of vested 2000 ESOS cash-settled awards as at 31 December 2007 was US$9 million (2006: US$6 million).

The weighted average share price at the time the options were exercised during 2007 was £14.36 (2006: £14.63).

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.

	2007		*2006*		
Grant date	*17 September*	*12 March*	*12 September*	*11 May*	*14 March*
Share price at grant date	£14.69	£14.51	£13.17	£14.60	£14.35
Vesting period (years)	3	3	3	3	3
Expected dividends (yield) (%)	2.9	2.8	3.2	3.0	3.0
Fair value (EPS) (£)	6.74	6.68	6.00	6.67	6.56
Fair value (TSR) (£)	2.92	2.89	2.60	2.89	2.84

The expected dividend yield is based on the historical dividend yield over the last three years or 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% of the award which is subject to the TSR condition by the loss of expected dividends 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% of the award by the loss of expected dividends over the performance period and is adjusted for actual performance as appropriate.

A reconciliation of option movements over the year to 31 December 2007 and 2006 is shown below:

	2007		*2006*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	4,976,599	—	3,919,726	—
Granted	2,487,273	—	2,125,493	—
Lapsed	(490,718)	—	(101,878)	—
Exercised	(1,087,557)	—	(966,742)	—
Outstanding at 31 December	5,885,597	—	4,976,599	—
Exercisable at 31 December	279,028	—	405,798	—

	2007		*2006*	
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	—	8.3 years	—	8.3 years

The intrinsic value of vested 2001 cash-settled awards as at 31 December 2007 was US$1 million (2006: US$nil million).

The weighted average share price at the time the options were exercised during 2007 was £14.98 (2006: £14.69).

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.

	2007		*2006*		
Grant date	*17 September*	*12 March*	*12 September*	*11 May*	*14 March*
Share price at grant date	£14.69	£14.51	£13.17	£14.60	£14.35
Vesting period (years)	2/3	2/3	2/3	2/3	2/3
Expected dividends (yield) (%)	2.9	2.8	3.2	3.0	3.0
Fair value (£)	13.49	13.36	12.00	13.34	13.12

The expected dividend yield is based on the historical dividend yield over the last three years or the three years prior to grant.

A reconciliation of option movements over the year to 31 December 2007 and 2006 is shown below:

	2007		*2006*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	6,298,386	—	6,410,044	—
Granted	2,546,148	—	1,691,508	—
Lapsed	(689,603)	—	(312,453)	—
Exercised	(1,879,033)	—	(1,490,713)	—
Outstanding at 31 December	6,275,898	—	6,298,386	—
Exercisable at 31 December	1,597,255	—	1,330,250	—

The weighted average share price at the time the options were exercised during 2007 was £15.42 (2006: £14.35).

	2007		*2006*	
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	—	4.3 years	—	4.9 years

The intrinsic value of vested 1997/2006 RSS cash-settled awards as at 31 December 2007 was US$9 million (2006: US$5 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.

	2007	
Grant date	*17 September*	*12 March*
Share price at grant date	£14.69	£14.51
Vesting period (years)	2/3	2/3
Expected dividends (yield) (%)	2.9	2.8
Fair value (£)	13.49	13.36

The expected dividend yield is based on the historical dividend yield over the last three years or the three years prior to grant.

A reconciliation of option movements over the year to 31 December 2007 is shown below:

	2007	
	No. of shares	*Weighted average exercise price*
Outstanding at 1 January	—	—
Granted	187,602	—
Lapsed	—	—
Exercised	—	—
Outstanding at 31 December	187,602	—
Exercisable at 31 December	—	—

	2007	
Range of exercise price for options outstanding	*Weighted average exercise price*	*Weighted average remaining contractual life*
n/a	—	6.5 years

There are no vested 2006 SRSS cash-settled awards as at 31 December 2007.

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 2007 and 2006 is shown below:

	2007		2006	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	1,543,784	£6.12	3,167,779	£6.17
Lapsed	(412,878)	£6.75	(155,845)	£6.22
Exercised	(569,799)	£5.81	(1,468,150)	£6.22
Outstanding at 31 December	561,107	£5.82	1,543,784	£6.12
Exercisable at 31 December	297,272	£5.60	462,721	£6.63

	2007		2006	
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*
£5.60/£6.84	£5.82	0.8 years	—	—
£3.34/£7.23	—	—	£6.12	1.2 years

The weighted average share price at the time the options were exercised was £18.35 (2006: £14.64) for 1994 UK Sharesave schemes and £17.56 (2006: £14.56) for 1996 International Sharesave schemes.

The intrinsic value of vested 1994/1996 UK and International Sharesave cash-settled awards as at 31 December 2007 was US$2 million (2006: US$6 million).

2004 UK and International Sharesave Schemes

Valuation

Options are valued using a binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

	2007		2006	
Grant date	*1 October*	*26 September*	*12 September*	*8 September*
Share price at grant date	£15.88	£16.18	£13.17	£13.03
Exercise price	£12.43	£12.43	£10.64	£10.64
Vesting period (years)	3/5	3/5	3/5	3/5
Expected volatility (%)	20.7/24.2	20.7/24.2	20.5/28.9	20.5/29.6
Expected option life (years)	3.33/5.33	3.33/5.33	3.33/5.33	3.33/5.33
Risk free rate (%)	4.9/5.00	5.10/5.00	4.9/4.8	4.8/4.7
Expected dividends (yield) (%)	2.9/3.3	2.9/3.3	3.1/3.5	3.1/3.5
Fair value (£)	4.4/4.9	4.7/5.1	3.35/4.07	3.31/4.05

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 yield over the last three years or three years prior to grant. Where two amounts are shown for volatility, risk free rates, expected dividends 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 2007 and 2006 is shown below:

	2007		*2006*	
	No. of shares	*Weighted average exercise price*	*No. of shares*	*Weighted average exercise price*
Outstanding at 1 January	11,155,911	£9.76	7,892,513	£9.24
Granted	5,207,207	£12.43	4,035,972	£10.64
Lapsed	(884,620)	£10.04	(756,606)	£9.07
Exercised	(1,211,767)	£7.43	(15,968)	£7.95
Outstanding at 31 December	14,266,731	£10.91	11,155,911	£9.76
Exercisable at 31 December	235,616	£7.43	—	—

	2007		*2006*	
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*
£7.43/£12.43	£10.91	2.7 years	—	—
£7.43/£10.64	—	—	£9.76	3.0 years

The weighted average share price at the time the options were exercised during 2007 was £18.59 (2006: £13.98) for the UK Sharesave scheme and £18.72 (2006: £13.87) for the International Sharesave scheme.

The intrinsic value of vested 2004 UK and International Sharesave cash-settled awards as at 31 December 2007 was US$2 million (2006: US$nil 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 2007 and 2006 is shown below:

	2007 No. of shares	*2006 No. of shares*
Outstanding at 1 January	301,952	408,742
Shares vested	(285,227)	(399,537)
Shares awarded	351,340	301,952
Shares lapsed	(16,725)	(9,205)
Outstanding at 31 December	351,340	301,952

Notes:

(1) Market value of shares on date of awards (6 March) was £13.95 (2006: £15.12).

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

42. 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*	
	2007 US$million	*2006 US$million*	*2007 US$million*	*2006 US$million*
Cash and balances at central banks	10,175	7,698	—	—
Less restricted balances	(4,846)	(3,958)	—	—
Treasury bills and other eligible bills	6,203	6,233	—	—
Loans and advances to banks	32,464	16,084	—	—
Trading securities	11,342	12,104	—	—
Amounts owed by and due to subsidiary undertakings	—	—	930	2,028
Total	55,338	38,161	930	2,028

43. Capital Commitments

Capital expenditure approved by the directors but not provided for in these accounts amounted to:

	2007 US$million	*2006 US$million*
Contracted	29	19

44. Operating Lease Commitments

	2007		*2006*	
	Premises US$million	*Equipment US$million*	*Premises US$million*	*Equipment US$million*
Commitments under non-cancellable operating leases expiring:				
Within one year	179	3	156	3
Later than one year and less than five years	434	2	358	4
After five years	491	1	529	—
	1,104	6	1,043	7

During the year US$159 million (2006: US$155 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 2007 is US$17 million (2006: US$17 million).

45. Contingent Liabilities and Commitments

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

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

.	*2007*			*2006*		
	Contract or underlying principal amount US$million	*Credit equivalent amount US$million*	*Risk weighted amount US$million*	*Contract or underlying principal amount US$million*	*Credit equivalent amount US$million*	*Risk weighted amount US$million*
Contingent liabilities*						
Guarantees and irrevocable letters of credit	25,681	17,629	11,909	18,344	12,784	9,398
Other contingent liabilities	8,038	6,058	4,476	9,046	7,139	5,418
	33,719	23,687	16,385	27,390	19,923	14,816
Commitments*						
Documentary credits and short term trade-related transactions	6,504	1,301	1,102	5,029	1,006	845
Forward asset purchases and forward deposits placed	64	64	13	31	31	10
Undrawn formal standby facilities, credit lines and other commitments to lend:						
One year and over	13,888	6,944	6,079	14,083	7,042	3,693
Less than one year	18,260	—	—	20,543	—	—
Unconditionally cancellable	45,279	—	—	29,858	—	—
	83,995	8,309	7,194	69,544	8,079	4,548

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

46. 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

	2007 Reverse repurchase agreements US$million	*2006 Reverse repurchase agreements US$million*
Banks	1,349	1,359
Customers	1,068	630
	2,417	1,989

Balance sheet liabilities

	2007 Repurchase agreements US$million	*2006 Repurchase agreements US$million*
Banks	2,150	1,449
Customers	364	681
	2,514	2,130

Collateral pledged against these liabilities is disclosed in note 21 on page 751. 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:

	2007 US$million	*2006 US$million*
Securities and collateral which can be repledged or sold (at fair value)	2,410	1,379
Thereof repledged/transferred to others for financing activities or to satisfy commitments under short sale transactions (at fair value)	1,714	866

47. 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 59 of the 2007 Annual Report explain the Group's and Company's risk management with respect to asset and liability management.

	2007				
	Three months or less US$million	*Between three months andone year US$million*	*Between one year and five years US$million*	*More than five years US$million*	*Total US$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	392	322	17,110	24,963
Total assets	120,693	60,650	61,286	86,576	329,205
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	724	739	11,413	22,409
Subordinated liabilities and other borrowed funds	—	502	6,092	9,146	15,740
Total liabilities	213,756	38,131	27,241	28,625	307,753
Net liquidity gap	(93,063)	22,519	34,045	57,951	21,452

	2006*				
	Three months or less US$million	*Between three months and one year US$million*	*Between one year and five years US$million*	*More than five years US$million*	*Total US$million*
Assets					
Cash and balances at central banks	3,740	—	—	3,958	7,698
Derivative financial instruments	2,710	4,178	4,190	2,076	13,154
Loans and advances to banks	16,214	2,305	2,403	142	21,064
Loans and advances to customers	44,062	23,590	28,771	44,071	140,494
Investment securities	19,311	20,141	18,207	5,016	62,675
Other assets	1,316	509	789	18,403	21,017
Total assets	87,353	50,723	54,360	73,666	266,102
Liabilities					
Deposits by banks	24,109	3,360	621	32	28,122
Customer accounts	125,790	19,061	3,233	1,204	149,288
Derivative financial instruments	2,766	5,278	4,006	1,653	13,703
Debt securities in issue	8,382	9,216	8,231	970	26,799
Other liabilities	2,533	523	887	14,153	18,096
Subordinated liabilities and other borrowed funds	—	501	2,440	9,758	12,699
Total liabilities	163,580	37,939	19,418	27,770	248,707
Net liquidity gap	(76,227)	12,784	34,942	45,896	17,395

* Amounts have been restated as explained in note 51 on page 802.

The Company has financial liabilities of US$1,987 million (2006: US$1,977 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 US$5,640 million (2006: US$5,515 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.

	2007				2006			
	Three months or less US$million	*Between three months and one year US$million*	*Between one and five years US$million*	*More than five years US$million*	*Three months or less US$million*	*Between three months and one year US$million*	*Between one and five years US$million*	*More than five years US$million*
Deposits by banks	22,752	1,880	526	133	23,039	3,000	780	192
Customer accounts	158,937	15,896	3,183	1,888	126,458	18,550	3,767	2,051
Financial liabilities at fair value	3,662	3,407	2,463	1,767	2,079	2,451	2,424	892
Derivative financial instruments	420,884	260,597	91,272	22,962	258,936	211,952	63,932	23,773
Debt securities in issue	10,535	10,594	6,242	2,436	7,738	7,983	8,825	900
Subordinated liabilities and other borrowed funds	305	1,190	5,476	20,247	205	1,154	5,683	15,447
Other liabilities	10,645	663	437	9,120	7,057	930	354	8,011
Total liabilities	627,720	294,227	109,599	58,533	425,512	246,020	85,765	51,266
Gross loan commitments	20,207	14,215	3,446	293	9,488	16,801	2,570	136

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.

The Company has financial liabilities payable on an undiscounted basis of US$4,655 million (2006: US$5,751 million), of which US$1,104 million (2006: US$1,167 million) matures in three months or less, US$101 million (2006: US$103 million) matures between three months and one year, US$543 million (2006: US$528 million) matures between one to five years, and US$2,554 million (2006: US$2,555 million) matures in more than five years.

48. Currency Risk

Foreign exchange risk is managed and measured as set out in the Market risk section of the Risk Review on pages 56 to 57 of the Annual Report and Accounts 2007.

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 subsequent foreign exchange exposures are managed on an individual basis, and are assessed regularly for significant foreign exchange rate expectations. The positions are treated as long-term embedded exposures, and are not treated as trading positions, so hedges are considered in certain limited cases.

The table below sets out the principal structural foreign exchange exposures of the Group at 31 December 2007 and 2006:

	2007 US$million	2006 US$million
Korean won	5,607	5,225
Hong Kong dollar	5,090	4,743
Indian rupee	2,258	1,682
Taiwanese dollar	1,833	1,397
Thai baht	958	824
UAE dirham	808	655
Singapore dollar	734	1,129
Chinese yuan	727	549
Pakistani rupee	705	668
Malaysian ringgit	674	696
Indonesian rupiah	475	475
Other	1,965	1,518
	21,834	19,561

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. The impact of these on the positions above would be an increase of US$91 million (2006: US$60 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 US$687 million (2006: US$732 million) and liabilities of US$724 million (2006: US$738 million) other than US Dollars.

49. 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 2007, 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 US$59 billion compared to 2006, primarily due to increased lending to banks, up US$16.6 billion, reflecting the Group's strong liquidity and US$16.5 billion increase in Wholesale lending portfolios. Derivative instruments increased by US$13.0 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 46 of the 2007 Annual Report.

	2007 US$million	2006 US$million
Financial assets held at fair value through profit or loss*	22,588	15,553
Derivative financial instruments	26,204	13,154
Loans and advances to banks and customers	189,631	159,024
Investment securities*	52,584	48,019
Contingent liabilities	33,719	27,390
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	32,148	34,626
	356,874	297,766

* Excludes equity shares.

In respect of derivative financial instruments, US$17,282 million (2006: US$6,425 million) is available for offset as a result of master netting agreements which do not 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. As set out in note 18, the Group has entered into synthetic loan securitisations and synthetic trade receivable securitisations on which it has mitigated certain of the credit risks.

The maximum exposure to credit risk of the Company is US$2,019 million (2006: US$3,181 million), which relates to amounts owed by subsidiary undertakings.

Summary analysis of the loan portfolio

	2007				*2006*			
	Loans to banks US$million	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total Loans to customers US$million*	*Loans to banks US$million*	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total Loans to customers US$million*
Individually impaired loans, net of provisions	8	517	364	881	9	909	529	1,438
Past due but not impaired loans	10	4,589	422	5,011	32	4,896	379	5,275
Neither past due nor impaired loans	37,662	77,156	74,469	151,625	21,024	72,878	61,445	134,323
	37,680	82,262	75,255	157,517	21,065	78,683	62,353	141,036
Portfolio impairment provision	(1)	(412)	(123)	(535)	(1)	(446)	(96)	(542)
	37,679	81,850	75,132	156,982	21,064	78,237	62,257	140,494

US$2,314 million (2006: US$1,340 million) of loans to banks is held at fair value and US$2,726 million (2006: US$1,212 million) of loans to customers is held at fair value. The Company has loans neither past due nor impaired of US$2,019 million (2006: US$3,181 million), and has no individually impaired loans or past due but not impaired loans. Details of loan loss provisions and individually impaired loans are disclosed in notes 20 and 21.

Loans and advances past due but not individually impaired

The following table set 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 counterparty 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.

The value of loans past due has declined compared to 2006, primarily within the up to 30 days bucket largely as a result of improvements in the Consumer Banking collection processes, particularly in Singapore.

	2007				2006			
	Loans to banks US$million	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total Loans to customers US$million*	*Loans to banks US$million*	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total Loans to customers US$million*
Up to 30 days past due	—	3,559	239	3,798	32	3,911	200	4,111
Between 31 – 60 days past due	—	536	38	574	—	553	71	624
Between 61 – 90 days past due	10	342	143	485	—	284	78	362
Between 91 – 150 days past due	—	152	2	154	—	148	30	178
	10	4,589	422	5,011	32	4,896	379	5,275

Within loans to banks past due balance, US$nil million (2006: US$nil million) is held at fair value. Within the Consumer Banking loans to customers past due balance, US$nil million (2006: US$nil million) is held at fair value; and within the Wholesale Banking loans to customers past due balance, US$nil million (2006: US$nil million) is held at fair value.

The fair value of collateral held against past due but not impaired Consumer Banking loans is US$4,419 million (2006: US$3,444 million) and largely comprises residential and commercial property. The fair value of collateral held against past due but not impaired Wholesale Banking loans is US$157 million (2006: US$161 million) and largely comprises property and securities.

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 set 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 pages 46 and 47 of the Risk Review in the 2007 Annual Report. The banding reflects management's segmentation of the credit risk grades.

The increase in loans to banks compared to 2006 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 1 to 5. Within loans to customers, the proportion of the loan book falling within credit grades 1 to 5 has increased from 44 to 46%, which is largely as a result of an increase in the proportion of high quality lending in the Wholesale Banking portfolio. Within Consumer Banking, the proportion of lending within grades 6 to 8 has decreased, and grades 9 to 11 has increased, as changes in methodology led to the re-grading of certain portfolios, largely shifting them from grade 8 to grade 9. The proportion of grade 12 loans was maintained at 1% of the loans to customer portfolio.

	2007				2006			
	Loans to banks US$million	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total Loans to customers US$million*	*Loans to banks US$million*	*Loans to customers – Consumer Banking US$million*	*Loans to customers – Wholesale Banking US$million*	*Total Loans to customers US$million*
Grades 1 – 5	34,074	32,824	36,999	69,823	17,748	31,428	27,752	59,180
Grades 6 – 8	3,231	19,339	27,020	46,359	2,790	21,806	22,902	44,708
Grades 9 – 11	349	23,810	10,233	34,043	479	18,340	10,323	28,663
Grade 12	8	1,183	217	1,400	7	1,304	468	1,772
	37,662	77,156	74,469	151,625	21,024	72,878	61,445	134,323

With Loans to banks, US$2,314 million (2006: US$1,340 million) is held at fair value, of which US$1,686 million (2006: US$909 million) is within Grades 1 – 5; and US$629 million (2006: US$431 million) within Grades 6 – 8. Within Loans to customers – Consumer – US$nil million (2006: US$nil million) is held at fair value. Within Loans to customers – Wholesale – US$2,726 million (2006: US$1,212 million) is held at fair value, of which US$1,789 million (2006: US$1,032 million) is within Grades 1 – 5; US$784 million (2006: US$134 million) within Grades 6 – 8; and US$153 million (2006: US$46 million) in Grades 9 – 11.

Renegotiated loans

Loans renegotiated which would otherwise be past due or impaired, continue to be accounted for as non-performing 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.

Of the Group's total loans and advances to banks which are neither past due nor impaired, loans which have been renegotiated (either during the year or in previous years) is US$nil million (2006: US$5 million).

Within the Group's total loans and advances to customers which are neither past due nor impaired, loans which have been renegotiated (either during the year or in previous years) total US$1,014 million (2006: US$917 million), of which US$341 million (2006: US$150 million) relates to Wholesale Banking customers and US$1,015 million (2006: US$767 million) to Consumer Banking customers.

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 in 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.

	2007			*2006*		
	Consumer Banking US$million	*Wholesale Banking US$million*	*Total US$million*	*Consumer Banking US$million*	*Wholesale Banking US$million*	*Total US$million*
Property	135	69	204	140	9	149
Debt securities and equity shares	—	—	—	9	—	9
Guarantees	35	5	40	13	3	16
Other	9	58	67	86	1	87
	179	132	311	248	13	261

Debt securities, equity shares and treasury bills

Debt securities, equity shares and treasury bills can be analysed as follows:

	2007				*2006*			
	Debt securities US$million	*Equity shares US$million*	*Treasury bills US$million*	*Total US$million*	*Debt securities US$million*	*Equity shares US$million*	*Treasury bills US$million*	*Total US$million*
Impaired securities	71	30	17	118	18	34	30	82
Impairment provisions	(54)	(22)	(2)	(78)	(9)	(23)	(10)	(42)
Net impaired securities	17	8	15	40	9	11	20	40
Securities neither past due nor impaired	55,063	3,052	15,047	73,162	45,089	1,629	15,920	62,638
	55,080	3,060	15,062	73,202	45,098	1,640	15,940	62,678

US$3,395 million (2006: US$3,418 million) of treasury bills and US$14,163 million (2006: US$9,601 million) of debt securities are held at fair value.

Movements in provisions on impaired securities are disclosed in note 22. The impaired debt securities largely include the Group's holdings of ABS CDOs, on which a US$35 million impairment charge and other writedowns of US$87 million were taken in 2007. Further details of these writedowns are set out on page 54 of the Risk Review in the 2007 Annual Report.

Collateral is held against impaired securities and primarily consists of properties. The undiscounted fair value of collateral held relating to impaired securities is estimated at US$24 million (2006: US$21 million).

The Company has no debt securities, equity shares or treasury bills other than investments in subsidiary undertakings.

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.

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.

	2007			*2006*		
	Debt securities US$million	*Treasury bills US$million*	*Total US$million*	*Debt securities US$million*	*Treasury bills US$million*	*Total US$million*
AAA	12,364	570	12,934	6,685	644	7,329
AA- to AA+	16,426	3,216	19,642	14,992	3,125	18,117
A- to A+	14,358	7,788	22,146	13,517	9,986	23,503
BBB- to BBB+	6,341	1,822	8,163	4,834	852	5,686
Lower than BBB-	2,586	1,357	3,943	3,225	1,072	4,297
Unrated	2,988	294	3,282	1,836	241	2,077
	55,063	15,047	70,110	45,089	15,920	61,009

Unrated securities primarily relate to corporate investments. Using internal credit ratings, US$2,606 million (2006: US$1,353 million) of these securities are considered to be investment grade and US$676 million (2006: US$724 million) sub-investment grade.

The increase in AAA debt securities compared to 2006 has largely been driven by the asset backed securities acquired from Whistlejacket following the 'vertical' slice transactions. Further details of these transactions are set out in note 52 and within the Risk Review on page 54 of the 2007 Annual Report.

50. 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.

	2007		*2006*	
	Book amount US$million	*Fair value US$million*	*Book amount* US$million*	*Fair value* US$million*
Assets				
Cash and balances at central banks	10,175	10,175	7,698	7,698
Loans and advances to banks	35,365	35,316	19,724	19,727
Loans and advances to customers	154,266	153,828	139,300	139,654
Investment securities	2,819	2,779	2,786	2,754
Liabilities				
Deposits by banks	25,880	25,844	26,233	26,184
Customer accounts	179,760	179,694	147,382	147,492
Debt securities in issue	27,137	27,072	23,514	23,518
Subordinated liabilities and other borrowed funds	15,740	15,029	**12,699	12,877

* Amounts have been restated as explained in note 51 on page 802.

** The book amount includes adjustments as a result of fair value hedging relationships.

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 14, 15, 17, 18, 22 and 31. 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 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. 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 from the turmoil brought about by the sub-prime mortgage crisis in the United States. Approximately half of the portfolio reprices within one month, and over 80% reprices within 12 months. The fair value of loans and advances to customers is therefore close to the book amount.

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.

51. Restatement of Prior Periods

Acquisitions

In the consolidated balance sheet as at 31 December 2006, the fair value amounts in relation to the acquisitions of Union and Hsinchu contained some provisional balances. During the year to 31 December 2007, 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 2006 balance sheet amounts restated, with a corresponding adjustment to goodwill, increasing goodwill on acquisition relating to Union and Hsinchu respectively by US$8 million to US$414 million and by US$93 million to US$1,041 million. The adjustments primarily relate to a reassessment of the value of certain loan assets, investment debt securities and retirement benefit obligations, together with associated deferred tax. The income statement for 2006 has not been restated, because any effect is immaterial.

	As reported at 2006 US$million	*Fair value adjustment to Union US$million*	*Fair value adjustment to Hsinchu US$million*	*Reclassi-fication US$million*	*Restated at 2006 US$million*
Loans and advances to customers	139,330	(10)	(20)	—	139,300
Investment securities	49,487	—	10	—	49,497
Goodwill and intangible assets	6,146	8	93	—	6,247
Property, plant and equipment	2,168	(1)	1	—	2,168
Deferred tax assets	538	3	7	(36)	512
Retirement benefit obligations	472	—	89	(8)	553
Other liabilities	11,355	—	4	(28)	11,331
Minority interests	544	—	(2)	—	542

Cash Flow Statement

The following items have been re-presented in the Group and Company cash flow statements for the year ended 31 December 2006:

- net cash flow from operating activities increased by US$254 million, and net cash from financing activities decreased by US$254 million, following the separate identification of the outflow on the redemption of the preference shares of US$328 million and the inflow from certain of the proceeds from the issues of ordinary share capital of US$74 million, both of which were previously included in other movements within net cash flow from operating activities;
- in the Group cash flow statement only, a reclassification within cash flow from operating activities of US$782 million between 'Other accounts' and 'Assets written off, net of recoveries'. The remaining balance of US$158 million represents the non-cash income statement items relating to recoveries of acquisition fair values and discount unwind and has been re-named accordingly as 'Recoveries of acquisition fair values and discount unwind'; and
- in the Group cash flow statement only, the purchase of own shares and the inflow from the exercise of share options has been presented on a gross basis within net cash from financing activities.

The net increase in cash and cash equivalents in the Group and Company cash flow statements has been unaffected by these reclassifications.

52. 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 73 to 85 of the 2007 Annual Report.

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

	2007 *US$million*	*2006* *US$million*
Salaries, allowances and benefits in kind	19	14
Pension contributions	6	5
Bonuses paid or receivable	23	17
Share based payments	22	16
	70	52

Transactions with directors, officers and others

At 31 December 2007, the total amounts to be disclosed under the UK Companies Act 1985 (the Act) and the HK Listing Rules about loans to directors and officers were as follows:

	2007		*2006*	
	Number	*US$000*	*Number*	*US$000*
Directors	1	14	—	—
Officers*	4	7,090	2	203

* 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 2007, the Group has loans to the Bharti Enterprises Group of US$123 million, guarantees of US$47 million and foreign exchange deals with a notional value of US$52 million.

As at 31 December 2007, Standard Chartered Bank had created a charge over US$24 million (2006: US$5 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 US$4 million at 31 December 2007 (2006: US$8 million), and deposits of US$7 million (2006: US$nil million).

Associates

During 2007, the Group acquired a 30% holding in MCashback Limited for US$36 million.

During 2007, the Group contributed US$11 million to the establishment of Merchant Solutions Limited.

At 31 December 2007, the Group has loans and advances to China Bohai Bank Co., Ltd of US$nil million (2006: US$54 million).

Structured investment vehicles

Whistlejacket Capital Limited ('Whistlejacket') is a structured investment vehicle sponsored by the Group. In November and December 2007, the Group entered into two vertical slice transactions to acquire a portfolio of Whistlejacket's securities, settled by a cash payment, which is net of the redemption value of the capital notes invested by the Group in the vehicle. The capital notes were redeemed at net asset value, crystallising a loss for the Group of US$116 million, which is reported within 'Other operating income'. The portfolio of debt securities acquired totalled US$3.4 billion and has been classified as available-for-sale. In addition to these transactions, the Group acquired US$1.7 billon of assets, some of which were subsequently sold, without any significant profit and loss impact.

Open ended investment company

Standard Chartered Global Liquidity Funds p.l.c. is an open-ended investment company domiciled in Ireland and has a single sub-fund, the US Dollar Liquidity Fund. The Fund is a Treasury Style Institutional Money Market Fund that holds a Aaa/MR1+ rating from Moody's Investor services and is managed to maximise current income consistent with the preservation of capital and liquidity and is structured to maintain a stable net asset value per share of US$1.00 with the income distributed in the form of dividends. As at 31 December 2007, the Fund had US$1,325 million in assets under management. Standard Chartered Bank is the Investment Manager and Distributor of the Fund and has an investment in the shares of US$251 million.

Company

The Company has received US$95 million of interest income from Standard Chartered Bank. The Company issues debt externally and lends the proceeds to Group companies. At 31 December 2007, it has loans to and debt instruments issued by Standard Chartered Bank of US$343 million (2006: US$3,180 million), loans of US$77 million (2006: US$nil million) to Standard Chartered Holdings Limited and loans of US$1 million (2006: US$1 million) to other subsidiaries.

At 31 December 2007, the Company had no amounts owed to Standard Chartered Holdings Limited (2006: US$1,151 million).

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 for which is held on the Company's balance sheet and released as income over the term of the license. The Company entered into an agreement to pay a partial rebate of the initial licence value to SCSBM in January 2008. This amounted to US$1,089 million, which has been included as amounts owed to subsidiary undertakings at 31 December

2007. As a consequence, in the year ended 31 December 2007, the Company has written back US$192 million of income recognised in prior years. At the year end US$311 million (2006: US$1,362 million) has been included as deferred income in the Company balance sheet in relation to this license.

The Company has an agreement with Standard Chartered Bank that in the event of the 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.

53. Post Balance Sheet Events

Group

The Group announced, on 18 September 2007, the acquisition of American Express Bank Limited ('AEB'), from American Express Company for a total cash consideration equal to the net asset value of AEB at completion plus US$300 million. The transaction will complete on 29 February 2008.

On 11 January 2008, the Group completed the acquisition of a 49% stake in UTI Securities Limited, an equity brokerage firm in India.

On 11 January 2008, the Group announced the acquisition of a Korean mutual savings bank, Yeahreum Mutual Savings Bank which was completed on 25 February 2008.

On 31 January 2008, the Group announced that it intended to provide liquidity to Whistlejacket subject to certain pre-conditions, one of which was that enforcement proceedings had not commenced. On 11 February 2008, Whistlejacket advised that it had breached its capital note Net Asset Value ('NAV') trigger of 50%. The breach of the trigger was an enforcement event, which required the security trustee, BNY Corporate Trustee Service, to appoint a receiver to manage Whistlejacket. As a result, the proposal announced on 31 January 2008 lapsed. However, the Group continued to discuss with the receiver alternative arrangements to provide liquidity. Subsequently on 20 February 2008, the Group announced that it had withdrawn the conditional proposals made to the receiver as a result of a number of factors, including the pace of continuing deterioration in the market for certain assets classes and the impracticality of completing any proposal within the confines of the receivership as it has evolved.

54. 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 14 and 16 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 2007, assets with a market value of US$1.5 billion were held in respect of which there was no observable market data. 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.

Goodwill impairment

An annual assessment is made, as set out in note 25, 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 royalty rates were increased by one per cent per annum (or decreased by one per cent per annum) the value of the brand names acquired in the acquisitions in 2007 would increase by approximately US$3 million (or decrease by US$3 million). Likewise, if the attrition rates were increased by four per cent per annum (or decreased by four per cent per annum) the value of the customer relationships acquired in the acquisitions in 2007 would decrease by approximately US$10 million (or increase by approximately US$10 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 36 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 US$66 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 tax losses being available for offset at a later date.

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 2007 would increase by approximately £0.28 for 3 year grants, and by £0.39 for 5 year grants (or decrease by approximately £0.20 for 3 year grants, and by £0.32 for 5 year grants).

55. Recently Issued Accounting Pronouncements

The following pronouncements relevant and applicable to the Group and Company were issued as at 31 December 2007 but have effective dates for periods beginning after 31 December 2007. 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 European Union, 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*
IFRIC 11 *IFRS 2: Group and Treasury Share Transactions*	IFRIC 11 clarifies the treatment in the subsidiary's accounts for share awards made by the parent to the employees of a subsidiary.	1 January 2008
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 *Accounting for CustomerLoyalty 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**
IFRIC 14 *IAS 19 – The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interaction**	IFRIC 14 requires the recognition of defined benefit assets to the extent that the Group has the right to an unconditional refund during the life of the plan, or assuming the gradual settlement of the plan's liabilities or assuming full settlement of the plan's liabilities.	1 January 2008
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	1 January 2010

Pronouncement	*Description of impact*	*Latest effective date for the Group and Company*
	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).	
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% 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*	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**

* This IFRS or IFRIC Interpretation has not yet been endorsed by the European Union.

** The Group has not yet made a final decision as to whether it will apply in the 2008 financial statements those pronouncements marked (**) in the table above.

56. 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 summarised below.

There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards. As set out in note 55, EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the European Union.

ELIGIBILITY TABLE

Eligibility requirements under the IDR Rules

Rule	*Content*	*Standard Chartered Compliance*
4	Without prejudice to the provisions of the Securities and Exchange Board of India Act, 1992, an issuing company shall not issue IDRs unless it satisfies the following conditions, namely:	
a.	its pre-issue paid-up capital and free reserves are at least US$50 million and it has a minimum average market capitalisation (during the last three years) in its parent country of at least US$100 million;	The Company had pre-issue paid-up capital and free reserves of US$ 6,879 million as on 31 December 2009. The average market capitalisation* of the Company on the London Stock Exchange for the years 2009, 2008 and 2007 was US$ 37,924 million, US$ 38,742 million and US$ 44,764 million.
b.	it has a continuous trading record or history on a stock exchange in its parent country for at least the three immediately preceding years;	The Company has a continuous trading record on the London Stock Exchange for the three immediately preceding years.
c.	it has a track record of distributable profits in terms of section 205 of the Indian Companies Act, 1956, for at least three out of the immediately preceding five years;	The Group had profit after tax of US$ 3,477 million, US$ 3,344 million, US$ 2,989 million, US$ 2,354 million and US$ 1,971 million for year ending 31 December 2009, 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005 respectively. The Company had profit after tax of US$ 333 million, US$ 2,282 million, US$ 349 million, US$ 686 million and US$ 796 million for year ending 31 December 2009, 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005 respectively.
d.	it fulfils such other eligibility criteria as may be laid down by the Securities and Exchange Board of India (SEBI) from time to time in this behalf.	The company has complied with all eligibility criteria as laid down by SEBI in the SEBI Regulations.

* Average Market Capitalisation has been computed by dividing the sum of closing market capitalisation of the Company on the LSE for each trading day during the year by number of trading days during the year

Eligibility requirements under Chapter X of the SEBI Regulations

Regulation	*Content*	*Standard Chartered Compliance*
97	An issuing company making an issue of IDRs shal also satisfy the following:	
(i)	the issuing company is listed in its home country;	Yes. It is listed in its home country, the UK as well as on the Hong Kong Stock Exchange.
(ii)	the issuing company is not prohibited from issuing securities by any regulatory body; and	The Company has not been prohibited to issue securities by any regulatory body.
(iii)	the issuing company has a track record of compliance with securities market regulations in its home country.	The Company has a track record with respect to compliance with securities market regulations in its home country.

DECLARATION

We certify on behalf of the Company that, to the best of the knowledge and belief of the Company, the Company has taken all reasonable care to ensure that,

(1) all relevant provisions of the Indian Companies Act, 1956, the Companies (Issue of Indian Depository Receipts) Rules, 2004 and the regulations/guidelines issued by the Securities and Exchange Board of lndia have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Indian Companies Act, the IDR Rules, regulations or guidelines issued, as the case may be, and

(2) this Red Herring Prospectus contains as of its date all material information and statements and such information and statements are true, correct and adequate.

Signed by full time directors and Chief Financial Officer

P A Sands
Group Chief Executive

R H Meddings
Group Finance Director

J S Bindra
Group Executive Director

S P Bertamini
Group Executive Director

A M G Rees
Group Executive Director

Place: Mumbai, India

Date: 10 May 2010