Risk Group (CORG). The CORG has in-country governance responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

Business Risk

Business risk is the risk of failing to achieve business targets due to inappropriate strategies, inadequate resources or changes in the economic or competitive environment and is managed through the Group's management processes. Regular reviews of the performance of Group businesses by the Group Management Committee, comprising Group Executive Directors and other senior management are used to assess business risks and agree management action. The reviews include corporate financial performance measures, capital usage, resource utilisation and risk statistics to provide a broad understanding of the current business position.

Compliance and Regulatory Risk

Compliance and Regulatory risk includes the risk of non-compliance with regulatory requirements in a country in which the Group operates. The Group Compliance and Regulatory Risk function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

Legal Risk

Legal risk is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or other loss for the Group, failure to protect the title to and ability to control the rights to assets of the Group (including intellectual property rights), changes in the law, or jurisdictional risk.

The Group manages legal risk through the Group Legal Risk Committee, Legal risk policies and procedures and effective use of its internal and external lawyers.

Reputational Risk

Reputational risk is defined as the risk that any action taken by the Group or its employees creates a negative perception in the external market place. This includes the Group's and/or its customers' impact on the environment. The Group Risk Committee examines issues that are considered to have reputational repercussions for the Group and issues guidelines or policies as appropriate. It also delegates responsibilities for the management of legal/regulatory and reputational risk to the business through business risk committees. In Wholesale Banking, potential reputational risks resulting from transactions or policies and procedures are reviewed and actioned through the Wholesale Banking Reputational Risk Committee. Consumer Banking's Product and Reputational Risk Committee provides similar assurance.

Independent Monitoring

Group Internal Audit is an independent Group function that reports directly to the Group Chief Executive and the Audit and Risk Committee. Group Internal Audit provides independent confirmation that Group and business standards, policies and procedures are being complied with. Where necessary, corrective action is recommended.

Hedging Policies

The Group does not generally hedge the value of its foreign currency denominated investments in subsidiaries and branches. Hedges may be taken where there is a risk of a significant exchange rate movement but, in general, management believes that the Group's reserves are sufficient to absorb any foreseeable adverse currency depreciation. The Group also seeks to match its assets denominated in foreign currencies with corresponding liabilities in the same currencies.

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

CAPITAL

The Group believes that being well capitalised is important. The Group Asset and Liability Committee targets Tier 1 and Total capital ratios of 7 - 9 per cent and 12 - 14 per cent respectively.

Basel II

The Group has a centrally managed Basel programme with work streams operating in businesses covering both credit and operational risk. Work is well advanced and the Group expects to be in line to gain compliance with the Basel Accord by 1 January 2007.

There is close alignment between the objectives of Basel II and the Group's own best practice goals. As a leading international bank, we are concerned by the potential impact of inconsistent implementation of the Basel Accord cross border and regard this as a key industry issue for Regulators to address.

International Financial Reporting Standards (IFRS)

From 1 January 2005, the Group will be required by European Directives to report its consolidated financial statements under IFRS, as endorsed by the European Union. Our first published results under IFRS will be the 2005 Interim Report. In May 2005 we intend to present to investors and analysts the impact of IFRS on the Group following the restatement of our 2004 financial statements.

The transition to IFRS represents a significant change in our accounting policies. The principal changes are:

- recording all derivatives and certain debt security assets at fair value on the balance sheet;
- recording additional bad debt charges for time-value discount provisions;
- recording interest on a 'level yield' basis;
- recording the cost of share options awarded to employees on a fair value basis;
- ceasing goodwill amortisation;
- dividends proposed but not declared are no longer accrued as a liability;
- grossing up of the balance sheet for items no longer permitted to be netted;
- consolidating certain assets and liabilities previously permitted to be off balance sheet;
- reclassification between liabilities and shareholders' funds of certain preferred securities and shares; and
- deferred tax effect on IFRS adjustments.

IFRS does not change net cash flows or the underlying economics of our business. However, excluding the potential impact of recording all derivatives on balance sheet at fair value, we expect an increase in shareholders' funds, particularly from not accruing dividends until declared. The cost of awarding share options to employees is expected to increase.

The accounting rules for fair valuing all derivatives is expected to cause some degree of earnings volatility in the future. Although the Group will aim to minimise this volatility, our priority will be to ensure risk is managed effectively.

Our expectation is that the impact of IFRS on the Group's regulatory capital will be minimal.

CAPITAL (continued)

	2004 $m	2003* $m
Tier 1 capital:		
Shareholders' funds	**8,435**	7,529
Minority interests - equity	**111**	83
Innovative Tier 1 securities	**1,246**	1,155
Less: restriction on innovative Tier 1 securities	**(68)**	(160)
Unconsolidated associated companies	**30**	13
Less: goodwill capitalised	**(1,900)**	(1,986)
Add: provision for retirement benefits after tax	**110**	124
Total Tier 1 capital	**7,964**	6,758
Tier 2 capital:		
Qualifying general provision	**335**	387
Perpetual subordinated debt	**1,961**	1,914
Other eligible subordinated debt	**3,525**	2,898
Restricted innovative Tier 1 securities	**68**	160
Total Tier 2 capital	**5,889**	5,359
Investments in other banks	**(33)**	(742)
Other deductions	**(34)**	(4)
Total capital	**13,786**	11,371
Risk weighted assets	**71,096**	58,371
Risk weighted contingents	**21,028**	19,791
Total risk weighted assets and contingents	**92,124**	78,162
Capital ratios:		
Tier 1 capital	**8.6%**	8.6%
Total capital	**15.0%**	14.5%

	2004 $m	2003 $m
Shareholders' funds:		
Equity	**7,759**	6,880
Non-equity	**676**	649
	8,435	7,529
Post-tax return on equity (normalised)	**20.1%**	15.7%

* Comparative restated (see note 31 on page 63).

STANDARD CHARTERED PLC – FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2004

	Notes	Before Acquisitions $m	Acquisitions $m	2004 Total $m	2003* Total $m
Interest receivable		**5,208**	**24**	**5,232**	4,790
Interest payable		**(2,062)**	**(2)**	**(2,064)**	(1,822)
Net interest income		**3,146**	**22**	**3,168**	2,968
Other finance income	**5**	**10**	**-**	**10**	(13)
Fees and commissions receivable, net		**1,334**	**-**	**1,334**	1,156
Dealing profits and exchange	**3**	**647**	**1**	**648**	525
Other operating income	**4**	**206**	**1**	**207**	104
		2,187	**2**	**2,189**	1,785
Net revenue		**5,343**	**24**	**5,367**	4,740
Administrative expenses:					
Staff		**(1,529)**	**(5)**	**(1,534)**	(1,332)
Premises		**(319)**	**(2)**	**(321)**	(290)
Other		**(716)**	**(5)**	**(721)**	(640)
Depreciation and amortisation, of which:	**7**	**(418)**	**(2)**	**(420)**	(381)
Amortisation of goodwill		**(179)**	**(2)**	**(181)**	(134)
Other		**(239)**	**-**	**(239)**	(247)
Total operating expenses		**(2,982)**	**(14)**	**(2,996)**	(2,643)
Operating profit before provisions		**2,361**	**10**	**2,371**	2,097
Provisions for bad and doubtful debts	**11**	**(210)**	**(4)**	**(214)**	(536)
Amounts written off fixed asset investments		**(1)**	**-**	**(1)**	(11)
Income from joint venture		**-**	**2**	**2**	-
Operating profit including joint venture before taxation	**1,2**	**2,150**	**8**	**2,158**	1,550
Taxation	**6**	**(635)**	**(2)**	**(637)**	(497)
Operating profit after taxation		**1,515**	**6**	**1,521**	1,053
Minority interests		**(42)**	**-**	**(42)**	(29)
Profit for the period attributable to shareholders		**1,473**	**6**	**1,479**	1,024
Dividends on non-equity preference shares	**8**	**(58)**	**-**	**(58)**	(55)
Dividends on ordinary equity shares	**9**	**(725)**	**-**	**(725)**	(611)
Retained profit		**690**	**6**	**696**	358
Normalised earnings per ordinary share	**10**			**125.9c**	90.1c
Basic earnings per ordinary share	**10**			**121.2c**	82.0c
Diluted earnings per ordinary share	**10**			**119.3c**	81.0c
Dividend per ordinary share	**9**			**57.5c**	52.0c

* Comparative restated (see note 31 on page 63).

STANDARD CHARTERED PLC – FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED BALANCE SHEET
As at 31 December 2004

		Notes	2004 $m	2003* $m
Assets				
Cash, balances at central banks and cheques in course of collection			**2,269**	1,982
Treasury bills and other eligible bills			**4,425**	5,689
Loans and advances to banks		**1,11**	**18,922**	13,354
Loans and advances to customers		**1,11**	**71,596**	59,744
Debt securities and other fixed income securities		**13**	**28,295**	23,141
Equity shares and other variable yield securities		**14**	**253**	359
Interests in joint venture	- share of gross assets		**1,179**	-
	- share of gross liabilities		**(992)**	-
	- share of net assets		**187**	-
Intangible fixed assets			**1,900**	1,986
Tangible fixed assets			**844**	884
Prepayments, accrued income and other assets			**12,997**	13,063
Total assets			**141,688**	120,202
Liabilities				
Deposits by banks		**1,15**	**15,813**	10,924
Customer accounts		**1,16**	**84,572**	73,767
Debt securities in issue		**1,17**	**7,378**	6,062
Accruals, deferred income and other liabilities			**17,802**	15,339
Subordinated liabilities:				
Undated loan capital			**1,588**	1,568
Dated loan capital		**18**	**5,144**	4,399
Minority interests:				
Equity			**111**	83
Non-equity			**845**	531
Shareholders' funds		**19,20**	**8,435**	7,529
Total liabilities and shareholders' funds			**141,688**	120,202

* Comparative restated (see note 31 on page 63).

STANDARD CHARTERED PLC – FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2004

	2004 **$m**	2003* $m
Profit attributable to shareholders	**1,479**	1,024
Exchange translation differences	**93**	69
Actuarial loss on retirement benefits	**(5)**	(65)
Deferred tax on actuarial gain on retirement benefits	**1**	20
Total recognised gains and losses for the period	**1,568**	1,048
Prior year adjustments**	**(186)**	
Total recognised gains and losses since the last annual report	**1,382**	

* Comparative restated (see note 31 on page 63).
** Including cumulative actuarial gains/losses arising in prior periods

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 December 2004

There is no material difference between the results as reported and the results that would have been reported on a historical cost basis. Accordingly, no note of the historical cost profits and losses has been included.

ACCOUNTING CONVENTION

The accounts of the Group have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets and dealing positions. The accounting policies, as listed in the Annual Report 2003, continue to be consistently applied, apart from the items referred to in note 31 on page 63, principally the adoption of FRS17 for Retirement Benefits, which have resulted in a restatement of comparative figures.

STANDARD CHARTERED PLC – FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2004

	2004 $m	2003* $m
Net cash inflow from operating activities (see note 21)	**2,503**	3,748
Returns on investment and servicing of finance		
Interest paid on subordinated loan capital	**(338)**	(298)
Dividends paid to minority shareholders of subsidiary undertakings	**(17)**	(22)
Dividends paid on preference shares	**(58)**	(55)
Net cash outflow from returns on investment and servicing of finance	**(413)**	(375)
Taxation		
UK taxes paid	**(33)**	(161)
Overseas taxes paid	**(540)**	(353)
Total taxes paid	**(573)**	(514)
Capital expenditure and financial investment		
Purchases of tangible fixed assets	**(240)**	(156)
Acquisitions of treasury bills held for investment purposes	**(9,396)**	(12,604)
Acquisitions of debt securities held for investment purposes	**(75,353)**	(49,247)
Acquisitions of equity shares held for investment purposes	**(121)**	(194)
Disposals of tangible fixed assets	**51**	14
Disposals and maturities of treasury bills held for investment purposes	**10,778**	12,632
Disposals and maturities of debt securities held for investment purposes	**71,482**	49,498
Disposals of equity shares held for investment purposes	**356**	13
Net cash outflow from capital expenditure and financial investment	**(2,443)**	(44)
Net cash (outflow)/inflow before equity dividends paid and financing	**(926)**	2,815
Net cash outflow from the purchase of interests in subsidiary undertakings, joint venture and businesses	**(333)**	-
Net cash inflow/(outflow) from disposal of interests in subsidiary and associated undertakings and the business of a branch	**6**	(95)
Net cash outflow from acquisitions and disposals	**(327)**	(95)
Equity dividends paid to members of the Company	**(587)**	(531)
Financing		
Gross proceeds from issue of ordinary share capital	**-**	3
Repurchase of preference share capital	**-**	(20)
Gross proceeds from issue of preferred securities	**499**	-
Repayment of subordinated liabilities	**(25)**	-
Net cash inflow/(outflow) from financing	**474**	(17)
(Decrease)/increase in cash in the period	**(1,366)**	2,172

* Comparative restated (see note 31 on page 63).

STANDARD CHARTERED PLC – NOTES

1. Segmental Information by Geographic Segment

The following tables set out profit and loss information, average loans and advances to customers, net interest margin and selected balance sheet information by geographic segment for the years ended 31 December 2004 and 31 December 2003:

	2004									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Interest receivable	1,389	720	343	798	541	204	324	536	1,463	6,318
Interest payable	(461)	(408)	(159)	(320)	(254)	(53)	(109)	(185)	(1,201)	(3,150)
Net interest income	928	312	184	478	287	151	215	351	262	3,168
Other finance income	4	1	-	-	-	-	-	4	1	10
Fees and commissions receivable, net	324	114	51	197	111	87	116	153	181	1,334
Dealing profits and exchange	99	81	30	121	67	33	42	74	101	648
Other operating income	53	5	5	19	1	-	4	2	118	207
Net revenue	1,408	513	270	815	466	271	377	584	663	5,367
Costs	(654)	(226)	(144)	(510)	(251)	(99)	(169)	(357)	(405)	(2,815)
Amortisation of goodwill	-	-	-	-	-	-	-	-	(181)	(181)
Total operating expenses	(654)	(226)	(144)	(510)	(251)	(99)	(169)	(357)	(586)	(2,996)
Operating profit before provisions	754	287	126	305	215	172	208	227	77	2,371
Charge for debts	(125)	(33)	(2)	(40)	(22)	(1)	(1)	(12)	22	(214)
Amounts written off fixed asset investments	-	-	-	-	2	-	-	-	(3)	(1)
Income from joint venture	-	-	-	2	-	-	-	-	-	2
Operating profit before taxation	629	254	124	267	195	171	207	215	96	2,158
Loans and advances to customers - average	21,608	10,414	5,272	7,932	3,779	2,582	3,718	1,834	7,421	64,560
Net interest margin (%)	2.2	1.6	2.4	2.5	3.6	2.6	3.5	7.6	0.6	2.7
Loans and advances to customers - period end	21,744	11,765	6,374	9,274	4,610	3,132	3,840	2,013	8,844	71,596
Loans and advances to banks - period end	2,852	2,399	480	3,554	325	535	932	510	7,335	18,922
Total assets employed	48,459	20,419	7,130	21,424	8,528	6,371	6,493	6,407	52,821	178,052
Total risk weighted assets and contingents	20,337	13,892	4,411	13,344	6,413	4,150	4,611	2,749	24,895	94,802

See note a) to f) on page 40.

STANDARD CHARTERED PLC – NOTES (continued)

1. Segmental Information by Geographic Segment (continued)

	2003*									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total* $m
Interest receivable	1,473	621	318	700	513	215	291	409	1,182	5,722
Interest payable	(531)	(287)	(145)	(300)	(258)	(71)	(94)	(161)	(907)	(2,754)
Net interest income	942	334	173	400	255	144	197	248	275	2,968
Other finance income	(3)	(2)	(1)	(1)	(2)	-	-	-	(4)	(13)
Fees and commissions receivable, net	313	118	47	160	88	66	82	118	164	1,156
Dealing profits and exchange	96	43	12	109	60	24	33	65	83	525
Other operating income	7	(7)	4	13	65	-	3	12	7	104
Net revenue	1,355	486	235	681	466	234	315	443	525	4,740
Costs	(618)	(210)	(136)	(429)	(212)	(91)	(145)	(282)	(386)	(2,509)
Amortisation of goodwill	-	-	-	-	-	-	-	-	(134)	(134)
Total operating expenses	(618)	(210)	(136)	(429)	(212)	(91)	(145)	(282)	(520)	(2,643)
Operating profit before provisions	737	276	99	252	254	143	170	161	5	2,097
Charge for debts	(305)	(33)	2	(99)	(60)	(2)	4	(9)	(34)	(536)
Amounts written off fixed asset investments	-	-	-	-	(4)	-	-	-	(7)	(11)
Operating profit/(loss) before taxation	432	243	101	153	190	141	174	152	(36)	1,550
Loans and advances to customers - average	21,428	8,624	4,329	6,675	2,811	1,929	3,328	1,416	7,249	57,789
Net interest margin (%)	2.4	1.8	2.5	2.4	4.0	3.4	3.8	6.7	0.8	2.8
Loans and advances to customers - period end	20,845	9,781	5,009	7,124	3,106	2,110	3,484	1,739	6,546	59,744
Loans and advances to banks - period end	2,113	1,045	204	2,784	239	605	889	308	5,167	13,354
Total assets employed	39,390	15,747	6,676	16,756	7,590	4,962	5,465	4,557	38,292	139,435
Total risk weighted assets and contingents	19,438	12,423	4,018	8,569	4,560	3,234	4,138	2,115	22,019	80,514

* Comparative restated (see note 31 on page 63).

See note a) to f) on page 40.

1. Segmental Information by Geographic Segment (continued)

(a) Total interest receivable and total interest payable include intra-group interest of $1,086 million (2003: $932 million).

(b) 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 risk weighted assets.

(c) Business acquisitions are a result of corporate decisions made at the centre and the amortisation of purchased goodwill is included in the Americas, UK and Group Head Office segment.

(d) Total assets employed include intra-group items of $28,801 million (2003: $11,726 million) and balances of $7,563 million (2003: $7,507 million) which are netted in the Summarised Consolidated Balance Sheet. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.

(e) Total risk weighted assets and contingents include $2,678 million (2003: $2,352 million) of balances which are netted in calculating capital ratios.

(f) In 2004 other operating income includes profits and losses arising from corporate decisions to dispose of investments in KorAm Bank ($95 million in Americas, UK & Group Head Office) and BOC Hong Kong (Holdings) Limited ($36 million in Hong Kong) and the premium on repurchase of surplus subordinated debt ($23 million in India). Costs include $18 million related to the incorporation of the Hong Kong business (Hong Kong) and the $5 million donation to the Tsunami relief effort (Malaysia, India, Other APR and Other MESA). These decisions resulted in non-recurring gains and charges of $85 million. They are included in the Geographic segmental information, but are not allocated to businesses in the Business segmental information shown in note 2.

STANDARD CHARTERED PLC – NOTES (continued)

1. Segmental Information by Geographic Segment (continued)

The following tables set out the structure of Standard Chartered's deposits by principal geographic region where it operates at 31 December 2004 and 31 December 2003:

2004

	Asia Pacific Hong Kong $m	Asia Pacific Singapore $m	Asia Pacific Malaysia $m	Asia Pacific Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Non interest bearing current and demand accounts	**3,602**	**2,040**	**989**	**1,228**	**1,224**	**1,114**	**1,146**	**1,159**	**16**	**12,518**
Interest bearing current and demand accounts	**15,300**	**2,329**	**130**	**2,831**	**2**	**661**	**429**	**1,603**	**3,920**	**27,205**
Savings deposits	**24**	**528**	**437**	**1,715**	**970**	**249**	**1,350**	**512**	**9**	**5,794**
Time deposits	**13,155**	**9,847**	**3,423**	**6,189**	**3,441**	**2,529**	**1,657**	**679**	**10,410**	**51,330**
Other deposits	**2**	**50**	**569**	**894**	**2**	**187**	**215**	**69**	**1,550**	**3,538**
Total	**32,083**	**14,794**	**5,548**	**12,857**	**5,639**	**4,740**	**4,797**	**4,022**	**15,905**	**100,385**
Deposits by banks	**1,204**	**3,150**	**813**	**3,361**	**1,109**	**1,007**	**355**	**110**	**4,704**	**15,813**
Customer accounts	**30,879**	**11,644**	**4,735**	**9,496**	**4,530**	**3,733**	**4,442**	**3,912**	**11,201**	**84,572**
	32,083	**14,794**	**5,548**	**12,857**	**5,639**	**4,740**	**4,797**	**4,022**	**15,905**	**100,385**
Debt securities in issue	**1,508**	**758**	**401**	**1,063**	**387**	**-**	**-**	**1**	**3,260**	**7,378**
Total	**33,591**	**15,552**	**5,949**	**13,920**	**6,026**	**4,740**	**4,797**	**4,023**	**19,165**	**107,763**

2003

	Asia Pacific Hong Kong $m	Asia Pacific Singapore $m	Asia Pacific Malaysia $m	Asia Pacific Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Non interest bearing current and demand accounts	2,997	1,814	781	944	1,049	775	920	867	433	10,580
Interest bearing current and demand accounts	14,294	1,538	94	1,906	3	599	325	991	3,863	23,613
Savings deposits	22	492	453	978	786	214	1,080	520	4	4,549
Time deposits	12,671	7,751	2,833	4,993	2,987	2,108	1,480	749	8,105	43,677
Other deposits	16	45	593	803	230	169	246	150	20	2,272
Total	30,000	11,640	4,754	9,624	5,055	3,865	4,051	3,277	12,425	84,691
Deposits by banks	1,097	921	733	1,725	1,234	955	305	160	3,794	10,924
Customer accounts	28,903	10,719	4,021	7,899	3,821	2,910	3,746	3,117	8,631	73,767
	30,000	11,640	4,754	9,624	5,055	3,865	4,051	3,277	12,425	84,691
Debt securities in issue	2,068	346	351	783	87	-	-	1	2,426	6,062
Total	32,068	11,986	5,105	10,407	5,142	3,865	4,051	3,278	14,851	90,753

2. Segmental Information by Class of Business

	2004				2003*			
	Consumer Banking $m	Wholesale Banking $m	Corporate items not allocated	Total $m	Consumer Banking $m	Wholesale Banking $m	Corporate items not allocated	Total* $m
Net interest income	**1,952**	**1,216**	**-**	**3,168**	1,830	1,138	-	2,968
Other finance income	**3**	**7**	**-**	**10**	(4)	(9)	-	(13)
Other income	**738**	**1,343**	**108**	**2,189**	662	1,123	-	1,785
Net revenue	**2,693**	**2,566**	**108**	**5,367**	2,488	2,252	-	4,740
Costs	**(1,388)**	**(1,404)**	**(23)**	**(2,815)**	(1,259)	(1,250)	-	(2,509)
Amortisation of goodwill	**-**	**-**	**(181)**	**(181)**	-	-	(134)	(134)
Total operating expenses	**(1,388)**	**(1,404)**	**(204)**	**(2,996)**	(1,259)	(1,250)	(134)	(2,643)
Operating profit before provisions	**1,305**	**1,162**	**(96)**	**2,371**	1,229	1,002	(134)	2,097
Charge for debts	**(242)**	**28**	**-**	**(214)**	(478)	(58)	-	(536)
Amounts written off fixed asset investments	**-**	**(1)**	**-**	**(1)**	-	(11)	-	(11)
Income from joint venture	**1**	**1**	**-**	**2**	-	-	-	-
Operating profit before taxation	**1,064**	**1,190**	**(96)**	**2,158**	751	933	(134)	1,550
Total assets employed	**37,047**	**104,641**	**-**	**141,688**	33,890	86,312	-	120,202
Total risk weighted assets and contingents	**28,069**	**64,055**	**-**	**92,124**	24,253	53,909	-	78,162

* Comparative restated (see note 31 on page 63).

See note 1b), 1c) and 1f) on page 40.

3. Dealing Profits and Exchange

	2004 $m	2003 $m
Income from foreign exchange dealing	**494**	396
Profits less losses on dealing securities	**20**	12
Other dealing profits and exchange	**134**	117
	648	525

4. Other Operating Income

	2004 $m	2003 $m
Other operating income includes:		
Profits less losses on disposal of investment securities	**164**	62
Premium paid on repurchase of India subordinated debt	**(23)**	-
Dividend income	**11**	14

5. Retirement Benefits

With effect from 1 January 2004 the Group fully adopted Financial Reporting Standard 17 - Retirement Benefits (FRS17). See note 31 on page 63.

The disclosures required under the Financial Reporting Standard 17 - Retirement Benefits (FRS17) have been calculated for all relevant plans by qualified independent actuaries based on the most recent full actuarial valuations updated to 31 December 2004 (the effective date of the full valuations ranges between 31 December 2002 and 31 December 2004). Actuarial gains and losses during the period reflect conditions at the balance sheet date and are recognised in the Statement of Total Recognised Gains and Losses.

The total charge under FRS17 for benefits under the Group's retirement benefit schemes was \$82 million (2003: \$97 million), of which \$45 million (2003: \$38 million) was for defined benefit pension schemes, \$46 million (2003: \$44 million) was for defined contribution pension schemes and \$1 million (2003: \$2 million) was for post-retirement benefits other than pensions. The finance income was \$10 million (2003: charge of \$13 million).

The assets and liabilities of the schemes, attributable to defined benefit members were:

	2004 \$m	2003 \$m
Total market value of assets	**1,913**	1,665
Present value of the schemes' liabilities	**(2,069)**	(1,838)
Deficit	**(156)**	(173)
Related deferred tax asset	**46**	49
Net pension liability	**(110)**	(124)

Pension expense for defined benefit schemes on the FRS17 basis was:

	2004 \$m	2003 \$m
Current service cost	**47**	37
Past service cost	**3**	6
Gain on settlement and curtailments	**(5)**	(5)
Total charge to operating profit	**45**	38
Expected return on pension scheme assets	**(120)**	(73)
Interest on pension scheme liabilities	**110**	86
(Credit)/charge to investment income	**(10)**	13
Total charge to profit before deduction of tax	**35**	51
Actual less expected return on assets	**(22)**	(67)
Experience (gain)/loss on liabilities	**(2)**	9
Loss on change of assumptions	**29**	123
Total loss recognised in Statement of Total Recognised Gains and Losses before tax	**5**	65
Deferred tax	**(1)**	(20)
	4	45

6. Taxation

	2004 $m	2003* $m
Analysis of taxation charge in the period		
The charge for taxation based upon the profits for the period comprises:		
United Kingdom corporation tax at 30% (2003: 30%):		
Current tax on income for the period	**407**	353
Adjustments in respect of prior periods	**17**	(34)
Double taxation relief	**(357)**	(286)
Foreign tax:		
Current tax on income for the period	**559**	491
Adjustments in respect of prior periods	**(14)**	(26)
Total current tax	**612**	498
Deferred tax:		
Origination/reversal of timing differences - current year	**38**	7
Adjustments in respect of prior periods	**(13)**	(8)
	25	(1)
Tax on profits on ordinary activities	**637**	497
Effective tax rate	**29.5%**	32.1%

*Comparative restated (see note 31 on page 63).

Overseas taxation includes taxation on Hong Kong profits of $122 million (2003: $134 million) provided at a rate of 17.5 per cent (2003: 17.5 per cent) on the profits assessable in Hong Kong. The Group's total deferred tax asset is $322 million at 31 December 2004, (2003: $339 million). $276 million (2003: $290 million) is disclosed in other assets. The balance of $46 million in December 2004 (2003: $49 million) represents the deferred tax on pension liabilities, so is offset against the pension liabilities amount included in other liabilities.

7. Depreciation and Amortisation

	2004 $m	2003 $m
Goodwill	**181**	134
Premises	**40**	43
Equipment	**199**	204
	420	381

The Group has reviewed its goodwill amortisation periods and has revised the amortisation schedule from periods between 10 and 20 years to periods between 5 and 20 years.

STANDARD CHARTERED PLC – NOTES (continued)

8. Dividends on Preference Shares

	2004 **$m**	2003 $m
Non-cumulative irredeemable preference shares:		
7⅜% preference shares of £1 each	**14**	12
8¼% preference shares of £1 each	**15**	13
Non-cumulative redeemable preference shares:		
8.9% preference shares of $5 each	**29**	30
	58	55

9. Dividends on Ordinary Equity Shares

	2004		2003	
	Cents per share	**$m**	Cents per share	$m
Interim	**17.06**	**201**	15.51	182
Final	**40.44**	**524**	36.49	429
	57.50	**725**	52.00	611

The 2004 final dividend of 40.44 cents per share will be paid in either sterling, Hong Kong dollars or US dollars on 13 May 2005, to shareholders on the UK register of members at the close of business on 25 February 2005 and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00am Hong Kong time) on 25 February 2005. It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of all or part of the interim cash dividend. Details of the dividend will be sent to shareholders on or around 14 March 2005.

STANDARD CHARTERED PLC – NOTES (continued)

10. Earnings per Ordinary Share

	2004			2003*		
	Profit $m	**Average number of shares ('000)**	**Per share amount cents**	Profit $m	Average number of shares ('000)	Per share amount cents
Basic EPS						
Profit attributable to ordinary shareholders	**1,421**	**1,172,921**		969	1,167,333	
Premium and costs paid on repurchase of preference shares	**-**	**-**		(12)	-	
Basic earnings per ordinary share	**1,421**	**1,172,921**	**121.2c**	957	1,167,333	82.0c
Effect of dilutive potential ordinary shares:						
Convertible bonds	**23**	**34,488**		21	34,488	
Options	**-**	**3,444**		-	6,161	
Diluted EPS	**1,444**	**1,210,853**	**119.3c**	978	1,207,982	81.0c

The Group measures earnings per share on a normalised basis. This differs from earnings defined in Financial Reporting Standard 14. The table below provides a reconciliation.

	2004 $m	2003* $m
Profit attributable to ordinary shareholders, as above	**1,421**	957
Amortisation of goodwill	**181**	134
Premium and costs paid on repurchase of preference shares	**-**	12
Profit on sale of shares in - KorAm	**(95)**	-
- Bank of China	**(36)**	-
Premium and costs paid on repurchase of subordinated debt	**23**	-
Costs of Hong Kong incorporation	**18**	-
Tsunami donation	**5**	-
	(85)	
Profits less losses on disposal of investment securities	**(33)**	(62)
Profit on sale of tangible fixed assets	**(4)**	-
Profit on disposal of subsidiary undertakings	**(4)**	-
Amounts written off fixed asset investments	**1**	11
Normalised earnings	**1,477**	1,052
Normalised earnings per ordinary share	**125.9c**	90.1c

* Comparative restated (see note 31 on page 63).

STANDARD CHARTERED PLC – NOTES (continued)

11. Loans and Advances

	2004		2003	
	Loans to banks $m	**Loans to customers $m**	Loans to banks $m	Loans to customers $m
Gross loans and advances	**18,986**	**73,866**	13,423	62,383
Specific provisions for bad and doubtful debts	**(52)**	**(1,373)**	(59)	(1,602)
General provision	**-**	**(335)**	-	(425)
Interest in suspense	**(12)**	**(562)**	(10)	(612)
	18,922	**71,596**	13,354	59,744

The movement in provisions for bad and doubtful debts is set out below:

	2004		2003	
	Specific $m	**General $m**	Specific $m	General $m
Provisions held at beginning of period	**1,661**	**425**	1,824	468
Exchange translation differences	**15**	**-**	33	-
Amount utilised	**-**	**(39)**	-	(33)
Amounts written off	**(607)**	**-**	(910)	-
Recoveries of amounts previously written off	**95**	**-**	84	-
Other	**(8)**	**4**	84	-
New provisions	**609**	**-**	904	-
Recoveries/provisions no longer required	**(340)**	**(55)**	(358)	(10)
Net charge against/(credit to) profit	**269**	**(55)**	546	(10)
Provisions held at end of period	**1,425**	**335**	1,661	425

12. Non-Performing Loans and Advances

	2004			2003		
	SCNB (LMA) $m	**Other $m**	**Total $m**	SCNB (LMA) $m	Other $m	Total $m
Loans and advances on which interest is suspended	**351**	**2,552**	**2,903**	772	3,031	3,803
Specific provisions for bad and doubtful debts	**(115)**	**(1,310)**	**(1,425)**	(112)	(1,549)	(1,661)
Interest in suspense	**-**	**(574)**	**(574)**	-	(622)	(622)
	236	**668**	**904**	660	860	1,520

Net non-performing loans and advances comprises loans and advances to banks $55 million (2003: $96 million) and loans and advances to customers $849 million (2003: $1,424 million).

12. Non-Performing Loans and Advances (continued)

The Group acquired Standard Chartered Nakornthon Bank (SCNB) (formerly Nakornthon Bank) in September 1999. Under the terms of the acquisition, non-performing loans (NPLs) of THB 38.75 billion ($998 million) are subject to the LMA with the Financial Institutions Development Fund (FIDF), a Thai Government agency. Under the LMA, the FIDF has guaranteed the recovery of a principal amount of the NPLs of THB 23 billion ($592 million). The LMA also provides, inter alia, for loss sharing arrangements whereby the FIDF will bear up to 85 per cent of losses in excess of the guaranteed amount. The guarantee from FIDF is being progressively settled with final settlement expected in early 2005. The carrying cost of the NPLs is reimbursable by the FIDF to SCNB every half year for a period of five years from the date of acquisition.

Excluding the SCNB non-performing loan portfolio, subject to the LMA, specific provisions and interest in suspense together cover 74 per cent (2003: 72 per cent) of total non-performing lending to customers.

13. Debt Securities and Other Fixed Income Securities

	2004			
	Book amount Investment securities $m	**Book amount Dealing securities $m**	**Book amount Total debt securities $m**	**Valuation Investment securities $m**
Issued by public bodies:				
Government securities	**8,206**	**1,719**	**9,925**	**8,231**
Other public sector securities	**1,263**	**-**	**1,263**	**1,256**
	9,469	**1,719**	**11,188**	**9,487**
Issued by banks:				
Certificates of deposit	**6,076**	**82**	**6,158**	**6,068**
Other debt securities	**6,269**	**777**	**7,046**	**6,285**
	12,345	**859**	**13,204**	**12,353**
Issued by other issuers:				
Other debt securities	**2,895**	**1,008**	**3,903**	**2,900**
	2,895	**1,008**	**3,903**	**2,900**
Total debt securities	**24,709**	**3,586**	**28,295**	**24,740**
Of which:				
Listed on a recognised UK exchange	**5,651**	**-**	**5,651**	**5,671**
Listed elsewhere	**6,700**	**1,505**	**8,205**	**6,723**
Unlisted	**12,358**	**2,081**	**14,439**	**12,346**
	24,709	**3,586**	**28,295**	**24,740**
Book amount investment securities:				
One year or less	**14,627**			
One to five years	**8,107**			
More than five years	**1,975**			
	24,709			

Debt securities include $1,068 million (2003: $559 million) of securities sold subject to sale and repurchase transactions.

The valuation of listed investments is at market value and of unlisted investments at directors' estimate.

13. Debt Securities and Other Fixed Income Securities (continued)

	2003			
	Book amount Investment securities $m	Book amount Dealing securities $m	Book amount Total debt securities $m	Valuation Investment securities $m
Issued by public bodies:				
Government securities	7,496	819	8,315	7,570
Other public sector securities	476	-	476	478
	7,972	819	8,791	8,048
Issued by banks:				
Certificates of deposit	4,086	65	4,151	4,072
Other debt securities	5,215	353	5,568	5,212
	9,301	418	9,719	9,284
Issued by other issuers:				
Bills discountable with recognised markets	-	17	17	-
Other debt securities	3,528	1,086	4,614	3,489
	3,528	1,103	4,631	3,489
Total debt securities	20,801	2,340	23,141	20,821
Of which:				
Listed on a recognised UK exchange	5,855	-	5,855	5,846
Listed elsewhere	5,298	957	6,255	5,301
Unlisted	9,648	1,383	11,031	9,674
	20,801	2,340	23,141	20,821
Book amount investment securities:				
One year or less	10,993			
One to five years	8,445			
More than five years	1,363			
	20,801			

The change in the book amount of debt securities held for investment purposes comprised:

	2004			2003		
	Historical cost $m	**Amortisation of discounts/ premiums $m**	**Book amount $m**	Historical cost $m	Amortisation of discounts/ premiums $m	Book amount $m
At 1 January	**20,791**	**10**	**20,801**	18,383	15	18,398
Exchange translation differences	**(35)**	**19**	**(16)**	1,475	10	1,485
Acquisitions	**75,353**	**-**	**75,353**	50,266	-	50,266
Maturities and disposals	**(71,499)**	**47**	**(71,452)**	(49,333)	(93)	(49,426)
Amortisation of discounts and premiums	**-**	**23**	**23**	-	78	78
At 31 December	**24,610**	**99**	**24,709**	20,791	10	20,801

At 31 December 2004, unamortised premiums on debt securities held for investment purposes amounted to $135 million (2003: $163 million) and unamortised discounts amounted to $356 million (2003: $366 million).

14. Equity Shares and Other Variable Yield Securities

	2004		2003*	
	Book amount Investment securities $m	**Valuation Investment securities $m**	Book amount Investment securities $m	Valuation Investment securities $m
Listed on a recognised UK exchange	**-**	**-**	1	1
Listed elsewhere	**88**	**107**	261	353
Unlisted	**165**	**188**	97	97
	253	**295**	359	451
One year or less	**10**	**10**	14	14
One to five years	**35**	**35**	40	44
More than five years	**1**	**1**	-	-
Undated	**207**	**249**	305	393
	253	**295**	359	451

* Comparative restated (see note 31 on page 63).

The valuation of listed securities is at market value and of unlisted securities at directors' estimate.

Income from listed equity shares amounted to $4 million (2003: $5 million) and income from unlisted equity shares amounted to $7 million (2003: $9 million).

The change in the book amount of equity shares held for investment purposes comprised:

	2004			2003*		
	Historical cost $m	**Provisions $m**	**Book amount $m**	Historical cost $m	Provisions $m	Book amount $m
At 1 January	**398**	**(39)**	**359**	225	(32)	193
Exchange translation differences	**2**	**(1)**	**1**	4	(1)	3
Acquisitions	**121**	**-**	**121**	246	-	246
Disposals	**(207)**	**(7)**	**(214)**	(71)	1	(70)
Charge/(credit) to profit	**-**	**-**	**-**	-	(5)	(5)
Other	**(13)**	**(1)**	**(14)**	(6)	(2)	(8)
At 31 December	**301**	**(48)**	**253**	398	(39)	359

* Comparative restated (see note 31 on page 63).

15. Deposits by Banks

	2004 $m	2003 $m
Repayable on demand	**2,588**	3,894
With agreed maturity dates or periods of notice, by residual maturity:		
Three months or less	**8,963**	5,057
Between three months and one year	**2,268**	1,502
Between one and five years	**1,994**	446
Over five years	**-**	25
	15,813	10,924

16. Customer Accounts

	2004 $m	2003 $m
Repayable on demand	**36,862**	31,619
With agreed maturity dates or periods of notice, by residual maturity:		
Three months or less	**40,842**	35,789
Between three months and one year	**5,626**	5,615
Between one and five years	**1,204**	742
Over five years	**38**	2
	84,572	73,767

17. Debt Securities in Issue

	2004			2003		
	Certificates of deposit of $100,000 or more $m	**Other debt securities in issue $m**	**Total $m**	Certificates of deposit of $100,000 or more $m	Other debt securities in issue $m	Total $m
By residual maturity:						
Three months or less	**1,707**	**1,834**	**3,541**	1,711	612	2,323
Between three and six months	**701**	**206**	**907**	487	52	539
Between six months and one year	**637**	**475**	**1,112**	1,030	59	1,089
Between one and five years	**1,013**	**724**	**1,737**	1,552	459	2,011
Over five years	**21**	**60**	**81**	13	87	100
	4,079	**3,299**	**7,378**	4,793	1,269	6,062

18. Dated Subordinated Loan Capital

	2004 $m	2003 $m
By residual maturity:		
Within one year	**1,084**	25
Between one and five years	**1,805**	1,026
Over five years	**2,255**	3,348
	5,144	4,399

Of the total dated subordinated loan capital, $4,671 million is at fixed interest rates (2003: $3,992 million).

On 3 December 2004, the Group issued $350 million notes at 99.938 per cent. Interest is payable on the notes at 4.375 per cent Fixed Rate to, but excluding, 4 December 2009 and at Floating Rate thereafter. All of the notes may be redeemed by the Group on any interest payment date from and including 4 December 2009. There is not an option to redeem anything less than 100 per cent of the notes. The notes will mature on 3 December 2014.

On 3 December 2004, the Group issued HKD670 million Floating Rate Notes at par. Interest is payable at HIBOR plus 37 basis points up until 4 December 2009, when the rate increases to HIBOR plus 87 basis points. All of the Notes may be redeemed by the Group on the interest payment date on 4 December 2009. There is not an option to redeem anything less than 100 per cent of the notes. The notes will mature on 3 December 2014.

On 3 December 2004, the Group issued HKD500 million notes at 99.886 per cent. Interest is payable on the notes at 3.50 per cent Fixed Rate to, but excluding, the interest payment date on 4 December 2009 and at Floating Rate thereafter. All of the notes may be redeemed by the Group on the interest payment date falling in December 2009. There is not an option to redeem anything less than 100 per cent of the notes. The notes will mature on 3 December 2014.

$25 million Floating Rate notes 2004/2009 were redeemed in July 2004.

On 3 February 2005, the Group issued €750 million subordinated Lower Tier 2 notes (“Euro notes”) at an issue price of 99.43 per cent and $500 million subordinated Lower Tier 2 notes (“Dollar notes”) at an issue price of 99.86 per cent. Interest is payable annually on the Euro notes at a fixed rate of 3.625 per cent until 3 February 2012 when variable rate interest of 3 month Euribor plus 87 basis points will be paid. The Euro notes will mature on 3 February 2017. The Euro notes are callable on 3 February 2012 and at each subsequent interest date. Interest is payable quarterly on the Dollar notes at a variable rate of $ Libor plus 30 basis points until 4 February 2010 when the rates will increase to Libor plus 80 basis points. The Dollar notes will mature on 3 February 2015. The Dollar notes are callable on 4 February 2010 and at each subsequent interest date.

19. Called Up Share Capital

	2004 $m	2003 $m
Equity capital		
Ordinary shares of $0.50 each	**589**	587
Non-equity capital		
Non-cumulative irredeemable preference shares:		
7⅜% preference shares of £1 each	**185**	172
8¼% preference shares of £1 each	**191**	178
Non-cumulative redeemable preference shares:		
8.9% preference shares of $5 each	**2**	2
	967	939

19. Called Up Share Capital (continued)

On 14 January 2005, the Company issued 117,902,943 new ordinary shares at a price of 920 pence per share representing approximately 9.99 per cent of the Company's existing issued ordinary share capital. The net proceeds of the placing were approximately GBP 1,071 million ($2.1 billion). 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 KRW 3.4 trillion ($3.3 billion) in cash.

20. Shareholders' Funds

	Share capital $m	Share premium account $m	Capital reserve $m	Capital redemption reserve $m	Premises revaluation reserve $m	Profit and loss account $m	Total shareholders' funds $m
At 1 January 2004 previously published	**939**	**2,813**	**5**	**11**	**(2)**	**4,009**	**7,775**
Prior year adjustments (note 31)	**-**	**-**	**-**	**-**	**-**	**(186)**	**(186)**
At 1 January 2004 restated	**939**	**2,813**	**5**	**11**	**(2)**	**3,823**	**7,589**
Exchange translation differences	**26**	**-**	**-**	**-**	**-**	**67**	**93**
Shares issued, net of expenses	**2**	**15**	**-**	**-**	**-**	**52**	**69**
Actuarial loss on retirement benefits	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
Realised on disposal of property	**-**	**-**	**-**	**-**	**(3)**	**3**	**-**
Retained profit	**-**	**-**	**-**	**-**	**-**	**696**	**696**
Capitalised on exercise of share options	**-**	**7**	**-**	**-**	**-**	**(7)**	**-**
At 31 December 2004	**967**	**2,835**	**5**	**11**	**(5)**	**4,630**	**8,443**
Own shares held in ESOP Trusts	**-**	**-**	**-**	**-**	**-**	**(8)**	**(8)**
Total shareholders' funds	**967**	**2,835**	**5**	**11**	**(5)**	**4,622**	**8,435**

Equity interests	**7,759**
Non-equity interests	**676**
At 31 December 2004	**8,435**

20. Shareholders' Funds (continued)

	Share capital $m	Share premium account $m	Capital reserve $m	Capital redemption reserve $m	Premises revaluation reserve $m	Profit and loss account $m	Total* shareholders' funds $m
At 1 January 2003 previously published	909	2,764	5	3	3	3,643	7,327
Prior year adjustments (note 31)	-	-	-	-	-	(149)	(149)
At 1 January 2003 restated	909	2,764	5	3	3	3,494	7,178
Exchange translation differences	35	-	-	-	(2)	36	69
Shares issued, net of expenses	3	46	-	-	-	-	49
Realised on disposal of property	-	-	-	-	(3)	3	-
Repurchase of preference shares	(8)	-	-	8	-	(20)	(20)
Actuarial loss on retirement benefits	-	-	-	-	-	(45)	(45)
Retained profit	-	-	-	-	-	358	358
Capitalised on exercise of share options	-	3	-	-	-	(3)	-
At 31 December 2003	939	2,813	5	11	(2)	3,823	7,589
Own shares held in ESOP Trust	-	-	-	-	-	(60)	(60)
Total shareholders' funds	939	2,813	5	11	(2)	3,763	7,529

Equity interests	6,880
Non-equity interests	649
At 31 December 2003	7,529

* Comparative restated (see note 31 on page 63).

Bedell Cristin Trustees Limited is the 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 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, from time to time, the trust to enable the trustee to acquire shares to satisfy these awards.

The 1995 trust has acquired, at market value, 12,127,841 (2003: 9,513,386) Standard Chartered PLC shares which are held in a pool for the benefit of participants under the Group's Restricted Share Scheme, Performance Share Plan and Executive Share Option Schemes. The purchase of these shares has been fully funded by the Group.

At 31 December 2004, the 1995 trust held 12,127,841 (2003: 9,513,386) shares, of which 11,854,754 (2003: 4,733,884) have vested unconditionally. The balance of 273,087 (2003: 4,779,502) shares has been included in the Group balance sheet, as a deduction in shareholders' funds at a cost of $5 million (2003: $60 million). The market value of the unvested shares at 31 December 2004 was $5 million (2003: $79 million). 273,087 (2003: 4,585,901) shares have been conditionally gifted to employees.

The 2004 trust has acquired, at market value, 178,926 (2003: nil) Standard Chartered PLC shares 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 2004, the 2004 trust held 178,926 (2003: nil) shares, all of which were unvested. These shares have been included in the Group balance sheet, as a deduction in shareholders' funds, at cost of $3 million (2003: nil). The market value of the unvested shares at 31 December 2004 was $3 million. The shares are used to satisfy awards under the Group's deferred bonus plan.

STANDARD CHARTERED PLC – NOTES (continued)

21. Consolidated Cash Flow Statement

Reconciliation between operating profit before taxation and net cash inflow from operating activities:

	2004 $m	2003* $m
Operating profit	**2,158**	1,550
Adjustments for items not involving cash flow or shown separately:		
Amortisation of goodwill	**181**	134
Depreciation and amortisation of premises and equipment	**239**	247
Gain on disposal of tangible fixed assets	**(4)**	(14)
Gain on disposal of investment securities	**(164)**	(62)
Amortisation of investments	**(41)**	(107)
Charge for bad and doubtful debts and contingent liabilities	**214**	536
Amounts written off fixed asset investments	**1**	11
Debts written off, net of recoveries	**(504)**	(807)
Increase in accruals and deferred income	**59**	201
(Increase)/decrease in prepayments and accrued income	**(165)**	80
Net increase in mark-to-market adjustment***	**(259)**	(403)
Interest paid on subordinated loan capital	**338**	298
Net cash inflow from trading activities	**2,053**	1,664
Net increase in cheques in the course of collection	**(45)**	(27)
Net increase in treasury bills and other eligible bills	**(78)**	(76)
Net (increase)/decrease in loans and advances to banks and customers	**(16,216)**	2,398
Net increase in deposits from banks, customer accounts and debt securities in issue	**14,927**	2,128
Net increase in dealing securities	**(1,174)**	(1,550)
Net increase/(decrease) in other accounts**	**3,036**	(789)
Net cash inflow from operating activities	**2,503**	3,748
Analysis of changes in cash		
Balance at beginning of period	**5,661**	3,496
Exchange translation differences	**57**	(7)
Net cash (outflow)/inflow	**(1,366)**	2,172
Balance at end of period	**4,352**	5,661

* Comparative restated (see note 31 on page 63).
** This includes the effect of foreign exchange translation in the local books of subsidiaries and branches.
*** Mark-to-market adjustments are being reclassified from the reconciliation to ‘Net cash inflow from operating activities’, to the reconciliation to ‘Net cash inflow from trading activities’, as this better reflects their impact on cash flows.

22. Net Interest Margin and Interest Spread

	2004 %	2003 %
Net interest margin	**2.7**	2.8
Interest spread	**2.4**	2.5

	$m	$m
Average interest earning assets	**117,300**	106,939
Average interest bearing liabilities	**101,155**	91,840

23. Remuneration

The Group employed 33,322 staff at 31 December 2004 (2003: 30,200).

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

- Support a strong performance-oriented culture and ensure that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible, the Group as a whole and the interests of the shareholders; and

- Maintain competitive awards that reflect the international nature of the Group and enable it to attract and retain talented employees of the highest quality internationally.

The success of the Group depends upon the performance and commitment of talented employees. In terms of applying this policy:

- Base salaries are set at the median of the Group's key international competitors; and

- Annual bonus awards are made wholly on the basis of Group and individual performance and also an individual's adherence to the Group's values.

Standard Chartered believes strongly in encouraging employee share ownership at all levels in the organisation. The Group operates certain discretionary share plans which are designed to provide competitive long-term incentives. Of these plans, the Performance Share Plan and the Executive Share Option Scheme are only exercisable upon the achievement of specified performance criteria. In addition, the Group operates two all-employee sharesave schemes in which 40 per cent of employees participate.

24. Charge on Group Assets

Group assets include $2,653 million (2003: $2,951 million) which are subordinated to the claims of other parties, $2,532 million of which relates to note issuance in Hong Kong (2003: $2,249 million).

25. 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.

	2004			2003		
	Contract or underlying principal amount $m	**Credit equivalent amount $m**	**Risk weighted amount $m**	Contract or underlying principal amount $m	Credit equivalent amount $m	Risk weighted amount $m
Contingent liabilities						
Acceptances and endorsements	**976**	**976**	**842**	716	716	535
Guarantees and irrevocable letters of credit	**15,942**	**9,976**	**8,146**	12,350	8,480	5,773
Other contingent liabilities	**3,139**	**2,414**	**1,221**	4,802	3,364	2,132
	20,057	**13,366**	**10,209**	17,868	12,560	8,440
Commitments						
Documentary credits and short term trade-related transactions	**2,924**	**585**	**494**	2,157	431	394
Forward asset purchases and forward deposits placed	**54**	**54**	**11**	26	26	5
Undrawn formal standby facilities, credit lines and other commitments to lend:						
One year and over	**9,140**	**4,570**	**4,133**	7,182	3,591	3,259
Less than one year	**8,903**	**-**	**-**	5,203	-	-
Unconditionally cancellable	**25,933**	**-**	**-**	26,589	-	-
	46,954	**5,209**	**4,638**	41,157	4,048	3,658

26. Fair Values

These tables analyse the notional principal amounts and the positive and negative fair values of the Group's derivative financial instruments. Positive and negative fair values are the mark-to-market values of the derivative contracts adjusted for any amounts recognised in the Consolidated Profit and Loss Account for non-trading items. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

Fair values at the period end are representative of the Group's typical position during the period.

Trading activities are defined as positions held in financial instruments with the intention of benefiting from short term rates or price movements. The risk section of the Financial Review on pages 17 to 32 explains the Group's risk management of derivative contracts.

	2004			2003		
	Notional principal amounts $m	**Positive fair value $m**	**Negative fair value $m**	Notional principal amounts $m	Positive fair value $m	Negative fair value $m
Trading book						
Forward foreign exchange contracts	**409,003**	**6,789**	**6,500**	405,983	8,936	8,535
Foreign exchange derivative contracts						
Currency swaps and options	**116,734**	**2,592**	**2,532**	124,138	1,875	1,931
Exchange traded futures and options	**238**	**-**	**-**	327	-	-
Total	**116,972**	**2,592**	**2,532**	124,465	1,875	1,931
Interest rate derivative contracts						
Swaps	**409,418**	**3,359**	**3,125**	253,359	2,834	2,941
Forward rate agreements and options	**57,475**	**101**	**127**	61,506	89	81
Exchange traded futures and options	**96,282**	**54**	**54**	108,995	24	27
Total	**563,175**	**3,514**	**3,306**	423,860	2,947	3,049
Total trading book derivative financial instruments	**1,089,150**	**12,895**	**12,338**	954,308	13,758	13,515
Effect of netting		**(7,563)**	**(7,563)**		(7,507)	(7,507)
		5,332	**4,775**		6,251	6,008

26. Fair Values (continued)

Non-trading activities are defined as positions held with respect to management of the Group's assets and liabilities and related hedges.

	2004			2003		
	Notional principal amounts $m	**Positive fair value $m**	**Negative fair value $m**	Notional principal amounts $m	Positive fair value $m	Negative fair value $m
Non-trading book						
Interest rate derivative contracts						
Swaps	**2,304**	**17**	**4**	28	-	2
Forward rate agreements and options	**495**	**-**	**-**	92	-	-
Exchange traded futures and options	**-**	**-**	**-**	2,634	2	1
Total	**2,799**	**17**	**4**	2,754	2	3
Commodity derivative contracts*	**6,030**	**33**	**33**	866	1	1
Total non-trading book derivative financial instruments	**8,829**	**50**	**37**	3,620	3	4

* The increase in commodity derivative contracts relates to oil options entered into on a back-to-back basis to meet customer requirements.

	2004		2003	
	Book value $m	**Market value $m**	Book value $m	Market value $m
Listed and publicly traded securities:				
Financial assets	**16,627**	**16,689**	17,542	17,548
Preference shares	**676**	**856**	649	768
Other financial liabilities	**12,013**	**11,833**	10,760	10,965
Financial liabilities	**12,689**	**12,689**	11,409	11,733

Financial assets include treasury bills, debt securities and equity shares. Other financial liabilities include debt securities in issue and subordinated loan capital.

27. Credit Exposures in respect of Derivative Contracts

The residual maturity analysis of the notional principal amounts of derivative contracts, excluding exchange traded futures and options, held at 31 December 2004 and 31 December 2003 for trading and non-trading purposes is set out below:

	2004				2003			
	Under one year $m	One to five years $m	Over five years $m	Total $m	Under one year $m	One to five years $m	Over five years $m	Total $m
Forward foreign exchange and foreign exchange derivative contracts								
Notional principal amount	**479,468**	**41,409**	**4,860**	**525,737**	488,667	37,075	4,379	530,121
Net replacement cost	**7,640**	**1,504**	**237**	**9,381**	9,581	1,091	139	10,811
Interest rate derivative contracts								
Notional principal amount	**243,369**	**189,548**	**36,775**	**469,692**	166,138	119,008	29,839	314,985
Net replacement cost	**519**	**1,782**	**1,176**	**3,477**	474	1,520	929	2,923
Commodity derivative contracts								
Notional principal amount	**1,094**	**4,348**	**588**	**6,030**	445	421	-	866
Net replacement cost	**3**	**23**	**7**	**33**	-	1	-	1
Counterparty risk								
Financial institutions				**11,532**				12,901
Non financial institutions				**1,359**				834
Total net replacement cost				**12,891**				13,735

The risk section of the Financial Review on pages 17 to 32 explains the Group's risk management of derivative contracts.

STANDARD CHARTERED PLC – NOTES (continued)

28. Structural Currency Exposures

The Group's structural currency exposures are set out below:

	2004			2003		
	Net investments in overseas units $m	**Borrowing in the functional currency of the units concerned hedging the net investment in the units $m**	**Structural currency exposures $m**	Net investments in overseas units $m	Borrowing in the functional currency of the units concerned hedging the net investment in the units $m	Structural currency exposures $m
Functional currency of the business unit:						
Singapore Dollar	**1,080**	**-**	**1,080**	9	-	9
Indian Rupee	**650**	**-**	**650**	482	-	482
Hong Kong Dollar	**2,920**	**-**	**2,920**	(1)	-	(1)
Malaysian Ringgit	**509**	**-**	**509**	428	-	428
Thai Baht	**180**	**-**	**180**	(1)	-	(1)
UAE Dirham	**271**	**-**	**271**	241	-	241
Korean Won	**117**	**-**	**117**	88	-	88
Indonesian Rupiah	**291**	**-**	**291**	118	-	118
Sterling	**952**	**(952)**	**-**	842	(832)	10
Other non US dollar	**883**	**-**	**883**	832	-	832
Total	**7,853**	**(952)**	**6,901**	3,038	(832)	2,206

Structural currency exposures for 2004 and 2003 relate to net investments in non US dollar units.

The Group's main operations in non US dollar units were Asia, Africa, India and the United Kingdom. The main operating (or 'functional') currencies of its overseas business units therefore include Hong Kong Dollar, Malaysian Ringgit, Singapore Dollar, Indian Rupee and Sterling. The Group prepares its consolidated financial statements in US dollars, and the Group's consolidated balance sheet is affected by movements in the exchange rates between functional currencies and US dollars. These currency exposures are referred to as structural. Translation gains and losses arising from these exposures are recognised in the Consolidated Statement of Total Recognised Gains and Losses.

The risk section of the Financial Review on pages 17 to 32 explains the Group's hedging policies.

29. Market Risk

Trading book	2004 12 months to 31 December Average $m	High $m	Low $m	2004 31 December Actual $m	2003 12 months to 31 December Average $m	High $m	Low $m	2003 31 December Actual $m
Daily value at risk:								
Interest rate risk	**3.3**	**4.4**	**2.2**	**3.4**	2.7	4.0	1.8	2.9
Foreign exchange risk	**2.4**	**4.5**	**1.2**	**3.0**	1.6	3.8	0.9	1.3
Total	**4.2**	**6.0**	**3.1**	**5.1**	3.4	6.7	2.0	3.2

This note should be read in conjunction with the market risk section of the Financial Review on pages 28 and 29 which explains the Group's market risk management.

The Group measures the risk of losses arising from potential future adverse movements in interest and exchange rates, prices and volatilities using a VaR methodology. The Group uses historic simulation as its VaR methodology.

The total Group Trading book VaR shown in the table above is not a sum of the interest rate and exchange rate risks due to offset. The highest and lowest VaR are independent and could have occurred on different days.

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

The historic simulation method is used with an observation period of one year and 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.

The Group recognises that there are limitations to the VaR methodology. These limitations include the fact that the historic data may not be the best proxy for future price movements, either because the observation period does not include representative price movements or, in some cases, because of incomplete market data.

The Group performs regular back-testing, where actual profits and losses are compared with VaR estimates to track the statistical validity of the VaR Model.

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

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. To manage the risk arising from events which the VaR methodology does not capture, the Group regularly stress tests its main market risk exposures. Stress testing involves valuing portfolios at prices which assume extreme changes in risk factors beyond the range of normal experience. Positions that would give rise to potentially significant losses under a low probability stress event are reviewed by the Group Risk Committee.

30. Forward Looking Statements

This document contains forward-looking statements, including such statements within the meaning of section 27A of the US Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These statements concern, or may affect, future matters. These may include the Group's future strategies, business plans, and results and are based on the current expectations of the directors of Standard Chartered. They are subject to a number of risks and uncertainties that might cause actual results and outcomes to differ materially from expectations outlined in these forward-looking statements. These factors are not limited to regulatory developments but include stock markets, IT developments, competitive and general operating conditions.

31. Restatement of Comparative Figures

a) The Group has fully adopted the accounting requirements of FRS17 - Retirement Benefits. FRS17 replaces Statement of Standard Accounting Practice (SSAP) 24 and Urgent Issue Task Force (UITF) Abstract 6 as the accounting standard dealing with post-retirement benefits. The standard is being introduced in the UK in stages, starting with disclosures in the notes to the accounts. The full requirements of the standard are not mandatory until reporting periods starting on or after 1 January 2005, however early adoption is encouraged. The Group has adopted the standard one year early as there is now more certainty that similar requirements will be incorporated within IFRS, under which the Group will report for reporting periods starting on or after 1 January 2005.

The new standard requires the Group to include the assets of its defined benefit schemes on its balance sheet together with the related liability to make benefit payments net of deferred tax. The profit and loss account includes a charge in respect of the cost of accruing benefits for current employees and any benefit improvements. The expected return of the schemes' assets is included within other income less a charge in respect of unwinding the discount applied to the scheme's liabilities.

Under SSAP24 the profit and loss account included a charge in respect of the cost of accruing surplus benefits for the current employees offset by a credit in respect of the amortisation of the surplus in the Group's defined benefit schemes. A net pension prepayment was included in the Group's balance sheet.

A prior year adjustment has been made reducing shareholders' funds at 31 December 2003 by $202 million to reflect the revised policy.

The effect of this change on the profit and loss account for the year ended 31 December 2004 has been to introduce other finance income of $10 million (2003: $13 million charge), and to decrease administrative expenses by $16 million (2003: $30 million decrease). Profit before tax has been increased by $26 million (2003: $17 million increase).

The effect on the Group's balance sheet at 31 December 2004 has been to include a provision for defined benefit schemes of $110 million (2003: $124 million), to reduce prepayments and accrued income by $60 million (2003: $81 million) and to reduce shareholders' funds by $183 million (2003: $202 million).

b) The cost recognition policy for the Group has been revised for share schemes to reflect their usage as long term incentive plans, in accordance with the Urgent Issues Task Force 17 Employee Share Schemes.

In previous years costs have been recognised on an up front basis. From 2004 the Group will spread the cost of share schemes over the performance/vesting period. The effect of this change on the profit and loss account for the year ended 31 December 2004 has been to decrease staff costs by $14 million before tax (2003: $9 million increase staff costs). Shareholders' funds have been increased by $10 million (2003: $16 million).

32. UK and Hong Kong Accounting Requirements

The consolidated financial statements of the Group are prepared in accordance with UK GAAP which differs in certain significant respects from Hong Kong GAAP. There would be no material differences between the accounting conventions except as set out below:

Investments in Securities

UK GAAP
Securities, including equity shares and treasury bills, which are intended for use on a continuing basis are classified as investment securities. Investment securities are stated at cost less any provision for impairment. Where dated investment securities are purchased at a premium or a discount, these premiums or discounts are amortised through the profit and loss account. Securities other than investment securities are classified as dealing securities and are stated at market value.

Hong Kong GAAP
Under Hong Kong Statement of Standard Accounting Practice 24 – Accounting for Investments in Securities (SSAP24), investment securities classified as held-to-maturity securities are stated at amortised cost less any provision for diminution in value. Other securities, not intended to be held until maturity, are accounted for under the 'alternative' treatment. Under the alternative treatment securities are identified as either trading or non-trading. Trading securities are stated at fair value with changes in fair value recognised in the profit and loss account as they arise. Non-trading securities are stated at fair value with changes in fair value recognised in the revaluation reserve until disposal.

If the Group had prepared its financial statements under Hong Kong SSAP24 there would have been a net charge to the profit and loss account of $9 million, (2003: $5 million), an increase in the book amount of investment in securities of $46 million (2003: $30 million) and a credit to reserves of $32 million (2003: $21 million).

Tangible Fixed Assets

UK GAAP
Under Financial Reporting Standard 15 - Tangible Fixed Assets (FRS15), revaluation gains should be recognised in the profit and loss account only to the extent (after adjusting for subsequent depreciation) that they reverse revaluation losses on the same asset that were previously recognised in the profit and loss account. All other revaluation gains should be recognised in the statement of total recognised gains and losses.

All revaluation losses that are caused by a clear consumption of economic benefits should be recognised in the profit and loss account. Other revaluation losses should be recognised in the statement of total recognised gains and losses until the carrying amount reaches its depreciated historical cost; and thereafter, in the profit and loss account unless it can be demonstrated that the recoverable amount (the higher of net realisable value and value in use as defined in Financial Reporting Standard 11 - Impairment of fixed assets and goodwill) of the asset is greater than the revalued amount, in which case the loss should be recognised in the statement of recognised gains and losses to the extent that the recoverable amount of the asset is greater than its revalued amount.

Hong Kong GAAP
Under Hong Kong SSAP17 - Property, Plant and Equipment, when an asset's carrying amount is increased as a result of revaluation, the increase should be credited directly to equity under the heading of revaluation reserve. However, a revaluation increase should be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised as an expense. However, a revaluation decrease should be charged directly against any related revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Any excess thereafter will be charged to the profit and loss account.

At 31 December 2004, the Group's total properties comprised less than one per cent of the Group's total assets. A formal revaluation of certain of the Group's principal properties was performed at 31 August 2002, and at 30 September 2002 for all other properties, by independent valuers.

If the Group had prepared its financial statements under Hong Kong SSAP17 there would have been a net credit to the profit and loss account of $2 million (2003: $15 million charge) in respect of valuations below depreciated historical cost.

Dividends

UK GAAP
Dividends declared after the period end are recognised as a liability in the period to which they relate.

32. UK and Hong Kong Accounting Requirements (continued)

Hong Kong GAAP
Under Hong Kong SSAP9 (revised) - Events after the balance sheet date, dividends are only recognised as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends).

The retained profit for the year ended 31 December 2004 would rise by $95 million (2003: $44 million rise) had the Company adopted Hong Kong SSAP9 (revised), and there would have been an increase in reserves of $524 million (2003: $429 million).

Cash Flow Statement

UK GAAP
The Group prepares its cash flow statement in accordance with Financial Reporting Standard 1- Cash flow statements (FRS1). FRS1 is based on cash, with no concept of cash equivalents. Cash is defined as cash in hand and deposits with qualifying financial institutions repayable on demand, less overdrafts from such institutions repayable on demand.

Hong Kong GAAP
Under Hong Kong SSAP15 - Cash flow statements (Revised 2001) the statement is based on a wider concept of cash and cash equivalents. Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Hong Kong SSAP15 also specifies that bank borrowings are generally considered to be financing activities. However, bank overdrafts repayable on demand, which form an integral part of an enterprise's Cash Management, are included as a component of cash and cash equivalents.

In addition, Hong Kong SSAP15 is different from FRS1 in respect of the presentation/classification of the cash flow statement. Hong Kong SSAP15 classifies cashflows under three headings: (a) cash flows from operating activities; (b) cash flows from investing activities; and (c) cash flows from financing activities. FRS1 specifies a fuller analysis using eight headings: (a) cash flows from operating activities; (b) dividends from joint ventures and associates; (c) returns on investment and servicing of finance; (d) taxation; (e) capital expenditure and financial investment; (f) acquisitions and disposals; (g) equity dividends paid; and (h) financing.

Retirement Benefits

UK GAAP
Background
Financial Reporting Standard 17 - Retirement benefits (FRS17) has been adopted by the Group for the first time with effect from 1 January 2004.

FRS17 requires defined benefit pension scheme assets to be measured at fair value at each balance sheet date and liabilities to be measured on an actuarial basis using the projected unit method. Differences due to actuarial gains and losses are taken through the Statement of Total Recognised Gains and Losses. FRS17 requires that the asset or liability be shown separately on the balance sheet and net of attributable deferred tax.

Hong Kong GAAP
Hong Kong Accounting Standard 19 Employee Benefits ("HKAS 19", formerly known as SSAP34) – was originally published by the Hong Kong Institute of Certified Public Accountants in December 2001 and was effective for periods beginning on or after 1 January 2002. Subsequent updates mean that HKAS 19 is now essentially the same as IAS 19 as issued by the International Accounting Standards Board.

Accordingly the only material difference between HKAS 19 and FRS 17 is in respect of the treatment of actuarial gains and losses. HKAS 19 requires these to be recognised in the profit and loss account rather than in the Statement of Total Recognised Gains and Losses.

On 16 December 2004 the International Accounting Standards Board announced that it will allow the FRS 17 treatment of actuarial gains and losses under IAS 19. It is therefore assumed that the Hong Kong Institute of Certified Public Accountants will, in due course, adopt a similar approach in order to maintain the consistency of HKAS 19 with IAS 19.

In the light of this the pension disclosures have not been reworked to reflect what seems likely to be only a short term difference between FRS17 and HKAS 19.

Deferred taxation

UK GAAP
Under Financial Reporting Standard 19 - Deferred tax, deferred taxation is provided in full, subject to the recoverability of deferred tax assets, on timing differences at the rates of taxation anticipated to apply when the differences crystallise, arising from the inclusion of income and expenditure in taxation

32. UK and Hong Kong Accounting Requirements (continued)

computations in periods different from those in which they are included in the financial statements.

Hong Kong GAAP
Under Statement of Standard Accounting Practice 12 (revised) - Accounting for deferred tax, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax basis are recognised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates inacted or substantively inacted at the balance sheet date.

The deferred tax asset balance would be decreased by $28 million at 31 December 2004 (2003: $24 million) and the deferred tax liability balance would be increased by nil at 31 December 2004 (2003: nil). The profit and loss reserves balance would be decreased by $7 million (2003: $8 million) and the premises revaluation reserve would be decreased by $22 million at 31 December 2004 (2003: $16 million).

33. Dealings in the Company's listed securities

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 2004.

34. Corporate Governance

The directors confirm that, throughout the period, the Company has complied with the provisions of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

The directors also confirm that the announcement of these results have been reviewed by the Company's Audit and Risk Committee.

35. Summarised Consolidated Profit and Loss Account (unaudited) First half and second half 2004

	1st Half 2004 $m	2nd Half 2004 $m	Total 2004 $m
Interest receivable	2,543	2,689	5,232
Interest payable	(997)	(1,067)	(2,064)
Net interest income	1,546	1,622	3,168
Other finance income	3	7	10
Fees and commissions receivable, net	665	669	1,334
Dealing profits and exchange	332	316	648
Other operating income	176	31	207
	1,173	1,016	2,189
Net revenue	2,722	2,645	5,367
Administrative expenses:			
Staff	(774)	(760)	(1,534)
Premises	(158)	(163)	(321)
Other	(332)	(389)	(721)
Depreciation and amortisation, of which:	(211)	(209)	(420)
Amortisation of goodwill	(88)	(93)	(181)
Other	(123)	(116)	(239)
Total operating expenses	(1,475)	(1,521)	(2,996)
Operating profit before provisions	1,247	1,124	2,371
Provisions for bad and doubtful debts	(139)	(75)	(214)
Amounts written off fixed asset investments	(2)	1	(1)
Income from joint venture	-	2	2
Operating profit before taxation	1,106	1,052	2,158
Taxation	(340)	(297)	(637)
Operating profit after taxation	766	755	1,521
Minority interests	(20)	(22)	(42)
Profit for the period attributable to shareholders	746	733	1,479
Dividends on non-equity preference shares	(29)	(29)	(58)
Dividends on ordinary equity shares	(201)	(524)	(725)
Retained profit	516	180	696
Normalised earnings per ordinary share	57.9c	68.0c	125.9c
Basic earnings per ordinary share	61.2c	60.0c	121.2c
Dividend per ordinary share	17.06c	40.44c	57.50c

The financial information included herein has been derived from the audited and unaudited information contained in the Group's Report and Accounts for the year ended 31 December 2004. Statutory accounts for 2003 have been delivered to the Registrar of Companies. The auditors have reported on these accounts; their report was unqualified and did not contain a statement under Section 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanation) of the Companies Act 1985.

Financial Calendar

Ex-dividend date	23 February 2005
Record date	25 February 2005
Posting to shareholders of 2004 Report and Accounts	14 March 2005
Annual General Meeting	5 May 2005
Payment date – final dividend on ordinary shares	13 May 2005

Copies of this statement are available from:

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The following information is available on our website

- *A live webcast of the 2004 annual results analysts' presentation (available from 9:45am GMT)*
- *A pre-recorded webcast including the Q/A session of the analysts' presentation in London (available 1:00pm GMT)*
- *Interviews with Mervyn Davies, Group Chief Executive and Peter Sands, Group Finance Director (available from 8:00am GMT)*
- *Slides of the Group's presentations (available after 11:00am GMT)*

Images of Standard Chartered are available for the media at www.newscast.co.uk

Information regarding the Group's commitment to corporate responsibility is available at www.standardchartered.com/ourbeliefs

The 2004 Report and Accounts will be made available on the website of the Stock Exchange of Hong Kong and on our website www.standardchartered.com.