34. Special purpose entities

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

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

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

	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.

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.

35. Related party transactions

Directors and officers

Directors' emoluments

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.

35. Related party transactions continued

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 STCI totalling $12 million (2008: $12 million).

The Group has investments in sub debt issued by PT Bank Permata Tbk for $50 million at 31 December 2009 (31 December 2008: nil million).

36. Corporate governance

The directors confirm that, throughout the year, the Company has complied with the provisions of Appendix 14 of the HK Listing Rules. The directors confirm that the announcement of these results has been reviewed by the Company's Audit and Risk Committee. The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than required by Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange, and that the directors of the Company have complied with this code of conduct throughout the year.

37. Other information

The financial information included within this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 were approved by the directors on 3 March 2010. These accounts will be published on 26 March 2010 after which they will be delivered to the Registrar of Companies. The report of the auditors on these accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not include a statement under section 498 of the Companies Act 2006.

38. UK and Hong Kong accounting requirements

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

Standard Chartered PLC – Directors' responsibility statement

The directors confirm that to the best of their knowledge:

(a) the consolidated financial information contained herein has been prepared in accordance with IFRSs as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) this announcement includes:

(i) an indication of important events that have occurred during the year ended 31 December 2009 and their impact on the consolidated financial statements, and a description of the principal risks and uncertainties; and

(ii) details of material related party transactions in the year ended 31 December 2009 and any material changes in the related party transactions described in the last annual report of the Group.

By order of the Board

R H Meddings
Group Finance Director
3 March 2010

Standard Chartered PLC – Additional information

Summarised consolidated income statement

First and second half 2009	1st half 2009 $million	2nd half 2009 $million	**2009 $million**
Interest income	6,490	6,436	**12,926**
Interest expense	(2,790)	(2,513)	**(5,303)**
Net interest income	3,700	3,923	**7,623**
Fees and commission income	1,853	1,971	**3,824**
Fees and commission expense	(168)	(286)	**(454)**
Net trading income	1,740	1,150	**2,890**
Other operating income	835	466	**1,301**
Total non-interest income	4,260	3,301	**7,561**
Operating income	7,960	7,224	**15,184**
Staff costs	(2,618)	(2,294)	**(4,912)**
Premises costs	(314)	(384)	**(698)**
General administrative expenses	(860)	(962)	**(1,822)**
Depreciation and amortisation	(235)	(285)	**(520)**
Operating expenses	(4,027)	(3,925)	**(7,952)**
Operating profit before impairment losses and taxation	3,933	3,299	**7,232**
Impairment losses on loans and advances and other credit	(1,088)	(912)	**(2,000)**
Other impairment	(15)	(87)	**(102)**
Profit from associates	8	13	**21**
Profit before taxation	2,838	2,313	**5,151**
Taxation	(847)	(827)	**(1,674)**
Profit for the year	1,991	1,486	**3,477**

Minority interests	58	39	**97**
Parent company shareholders	1,933	1,447	**3,380**
Profit for the year	1,991	1,486	**3,477**

Basic earnings per ordinary share (cents)	98.8	69.9	**167.9**
Diluted earnings per ordinary share (cents)	98.0	69.2	**165.3**

Standard Chartered PLC – Glossary

Advances to deposit ratio	The ratio of total loans and advances to customers relative to total customer deposits. A low advances to deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
Asset Backed Securities (ABS)	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Obligation (CDOs), the reference pool may be ABS.
Alt-A	Loans regarded as lower risk than sub-prime, but they share higher risk characteristics than lending under normal criteria.
Attributable profit to ordinary shareholders	Profit for the year after minority interests and the declaration of dividends on preference shares classified as equity.
Collateralised Debt Obligations (CDOs)	Securities issued by a third party which reference ABSs and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.
Collateralised Loan Obligation (CLO)	A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).
Commercial Mortgage Backed Securities (CMBS)	Commercial Mortgage Backed Securities are securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Commercial Real Estate	Commercial real estate includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.
Contractual maturities	Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.
Cost-income ratio	Represents the proportion of total costs to total income.
Cover ratio	Represents the extent to which non-performing loans are covered by impairment allowances.
Commercial paper (CP)	An unsecured promissory note issued to finance short-term credit needs. It specifies the face amount paid to investors on the maturity date.
Core Tier 1 Capital	Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus minority interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the FSA (Financial Services Authority).
Core Tier 1 Capital ratio	Core Tier 1 capital as a percentage of risk weighted assets.
Credit Default Swaps (CDSs)	A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.
Credit risk spread	The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.
Customer deposits	Money deposited by all individuals and companies which are not credit institutions. Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.
Debt restructuring	This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.
Debt securities	Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by Central Banks.
Debt securities in issue	Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.
Delinquency	A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans are considered to be delinquent when consecutive payments are missed.
Dividend per share	Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.
Exposures	Credit exposures represent the amount lent to a customer, together with an undrawn commitments
First/Second Lien	First lien: debt that places its holder first in line to collect compensation from the sale of the underlying collateral in the event of a default on the loan. Second lien: debt that is issued against the same collateral as higher lien debt but that is subordinate to it. In the case of default, compensation for this debt will only be received after the first lien has been repaid and thus represents a riskier investment than the first lien.

Funded/unfunded exposures	Exposures where the notional amount of the transaction is funded. Represents exposures where there is a commitment to provide future funding is made but funds are not released.
Guaranteed mortgages	Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.
Home Loan	A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a residential mortgage.
Impaired loans	'Impaired loans' comprise loans where individual identified impairment allowance has been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.
Impairment allowances	Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual or collective.
Individually/Collectively Assessed	Impairment is measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available. Typically assets within the Wholesale Banking business of the Group are assessed individually whereas assets within the Consumer Banking business are assessed on a portfolio basis.
Internal Ratings Based (IRB) approach	The IRB approach is used to calculate risk weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.
Leveraged Finance	Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt : EBITDA) typically arising from private equity sponsor led acquisitions of the businesses concerned.
Liquidity and Credit enhancements	Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing commercial paper.
Loans and advances	This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a Home loan
Loan-to-value ratio	The loan-to-value ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.
Loans past due	Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.
Mezzanine capital	Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.
Mortgage Backed Securities (MBS)	Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Mortgage related assets	Assets which are referenced to underlying mortgages.
Medium Term Notes (MTN)	Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.
Net asset value per share	Ratio of net assets (total assets less total liabilities) to number of shares outstanding.
Net interest income	The difference between interest received on assets and interest paid on liabilities. Group net interest income includes the impact of structural hedges which function to reduce the impact of the volatility of short term interest rate movements on equity and customer balances that do not re-price with market rates.
Net interest margin	The margin is expressed as net interest income divided by average interest earning assets.
Net interest yield	Interest income divided by average interest earning assets less interest expense divided by average interest bearing liabilities.
Net principal exposure	Net principal exposure is the gross principal amount of assets that are not protected by CDSs. It includes assets that benefit from monoline protection, except where this protection is purchased with a CDS.
Normalised earnings	Profit attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period
Prime	Prime mortgages have a higher credit quality and would be expected to satisfy the criteria for inclusion into Government programs

Standard Chartered PLC – Glossary continued

Private equity investments	Equity securities in operating companies *generally* not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.
Profit attributable to ordinary shareholders'	Profit for the year after minority interests and dividends declared in respect of preference shares classified as equity.
Renegotiated loans	Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.
Repo/Reverse repo	A repurchase agreement or repo, is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.
Retail Loans	Money loaned to individuals rather than institutions. The loans may be for car or home purchases, medical care, home repair, holidays, and other consumer uses.
Return on equity	Represents the ratio of the current year's profit available for distribution to the weighted average shareholders equity over the period under review.
Risk weighted assets	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.
Residential Mortgaes Backed Securities (RMBS)	Securities that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Securitisation	Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to an SPE (special purpose entity) who then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.
Special Purpose Entities (SPEs)	SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities. Transactions with SPEs take a number of forms, including: – The provision of financing to fund asset purchases, or commitments to provide finance for future purchases. – Derivative transactions to provide investors in the SPE with a specified exposure. – The provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties. – Direct investment in the notes issued by SPEs.
Structured finance /notes	A Structured note is an investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.
Student loan related assets	Assets which are referenced to underlying student loans.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.
Sub-Prime	Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.
Tier 1 capital	Tier 1 capital comprises Core Tier 1 capital plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions
Tier 1 capital ratio	Tier 1 capital as a percentage of risk weighted assets
Tier 2 capital	Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.
VaR	Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.
Write Downs	The depreciation or lowering of the value of an asset in the books to reflect a decline in their value, or expected cash flows

Standard Chartered PLC – Additional information

Financial Calendar

Ex-dividend date	10 March 2010
Record date	12 March 2010
Expected posting to shareholders of 2009 Report and Accounts	26 March 2010
Annual General Meeting	7 May 2010
Payment date – final dividend on ordinary shares	13 May 2010

Copies of this statement are available from:

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The following information will be available on our website

Full year results video with Peter Sands, Group Chief Executive and Richard Meddings, Group Finance Director

Full year results presentation in pdf format

A live webcast of the annual results analyst presentation

The archived podcast, webcast and Q/A session of analyst presentation in London

Images of Standard Chartered are available for the media at http://www.standardchartered.com/global/mc/plib/directors_p01.html

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

The 2009 Annual Report will be made available on the website of the Stock Exchange of Hong Kong and on our website http://investors.standardchartered.com as soon as is practicable.

Forward looking statements

It is possible that this document could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Disclaimer

The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") and may not be offered, sold or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. No public offering of the Placing Shares will be made in the United States.

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