Standard Chartered PLC – Highlights

For the year ended 31 December 2010

Reported results

- Profit before taxation of $6,122 million, up 19 per cent (2009: $5,151 million)
- Profit attributable to ordinary shareholders[1] up 29 per cent to $4,231 million (2009: $3,279 million)
- Operating income of $16,062 million, up 6 per cent (2009: $15,184 million)
- Total assets up 18 per cent to $517 billion (2009: $437 billion)
- Loans and advances to customers increased by 22 per cent to $246 billion (2009: $202 billion)

Performance metrics[2]

- Normalised income up 7 per cent at $16,013 million (2009: $14,914 million)
- Normalised earnings per share up 14 per cent at 197.0 cents (2009: 173.2 [3] cents)
- Normalised return on ordinary shareholders' equity of 14.1 per cent (2009: 14.3 per cent)
- Recommended final dividend per share of 46.65 cents per share making the total dividend for the year 69.15 cents per share, post rights

Capital and liquidity metrics

- Tangible net asset value per share increased 34 per cent to 1,274.1 cents (2009: 953.4 cents)
- Core Tier 1 capital ratio at 11.8 per cent (2009: 8.9 per cent)
- Total capital ratio at 18.4 per cent (2009: 16.5 per cent)
- Advances to deposits ratio of 77.9 per cent (2009: 78.6 per cent)
- Liquid asset ratio of 26.6 per cent (2009: 26.2 percent)

Significant highlights

- Delivered strong broad-based performance, with profit before taxation of $6,122 million, up strongly by 19 per cent on 2009
- Eight successive years of record income and profit
- Significantly reduced impairment provisions, driven by a disciplined and proactive approach to risk and helped by an improved credit environment
- Continued balance sheet momentum ensures a highly liquid and a well diversified balance sheet with limited exposure to problem asset classes
- Group's strong capital position further strengthened through strong organic equity generation and a successful rights issue
- Listing of Indian Depository Receipts on the Bombay and National stock exchanges in India
- Capital ratios well placed to accommodate further regulatory requirements and simultaneously take advantage of the growth opportunities in our markets

Commenting on these results, the Chairman of Standard Chartered PLC, John Peace, said:

"2010 was another year of great performance. We have demonstrated we have the right strategy, the right culture and the right geographical footprint to deliver consistent and sustained value for our shareholders."

[1] Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 9 on page 66).

[2] Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 10 on page 67.

[3] Restated as explained in note 33 on page 87.

Standard Chartered PLC – Table of contents

	Page
Summary of results	3
Chairman's statement	4
Group Chief Executive's review	6
Financial review	
Group summary	12
Consumer Banking	14
Wholesale Banking	17
Balance sheet	20
Risk review	22
Capital	51
Financial statements	
Consolidated income statement	54
Consolidated statement of comprehensive income	55
Consolidated balance sheet	56
Consolidated statement of changes in equity	57
Consolidated cash flow statement	58
Notes	59
Statement of directors' responsibilities	90
Additional information	91
Glossary	93
Financial calendar	97
Index	98

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

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

Standard Chartered PLC – Summary of results

For the year ended 2010

	2010 $million	2009 $million
Results		
Operating income	**16,062**	15,184
Impairment losses on loans and advances and other credit risk provisions	**(883)**	(2,000)
Other impairment	**(76)**	(102)
Profit before taxation	**6,122**	5,151
Profit attributable to parent company shareholders	**4,332**	3,380
Profit attributable to ordinary shareholders[1]	**4,231**	3,279
Balance sheet		
Total assets	**516,542**	436,653
Total equity	**38,865**	27,920
Total capital base	**45,080**	35,265
Information per ordinary share	**Cents**	Cents
Earnings per share – normalised[2] (post-rights)	**197.0**	173.2 [4]
– basic (post-rights)	**196.3**	161.8 [4]
Dividend per share[3] – pre-rights	**70.00**	66.03
– post-rights	**69.15**[4]	63.61 [4]
Net asset value per share	**1,573.2**	1,281.6
Tangible net asset value per share	**1,274.1**	953.4
Ratios		
Return on ordinary shareholders' equity – normalised basis[2]	**14.1%**	14.3%
Cost income ratio – normalised basis[2]	**55.9%**	51.3%
Capital ratios		
Core Tier 1 capital	**11.8%**	8.9%
Tier 1 capital	**14.0%**	11.5%
Total capital	**18.4%**	16.5%

[1] Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 9 on page 66).

[2] Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 10 on page 67.

[3] Represents the recommended final dividend per share for the respective years together with the interim dividend declared and paid in those years. Further details are set out in note 9 on page 66.

[4] Prior period earnings per share amounts and the interim and final dividend per share amounts declared and paid prior to the rights issue in October 2010 (including the 2010 Interim dividend per share) have been restated as explained in note 33 on page 87. Further details of the impact of the rights issue on the prior period dividend per share amounts are set out in note 9 on page 66.

Standard Chartered PLC – Chairman's statement

I am delighted to report that 2010 was the eighth consecutive year of record income and profits. Against an uncertain global recovery and despite the return of competition in many markets, Standard Chartered continued to perform strongly. Our performance in 2010 once again demonstrates our ability to deliver substantial, sustained value for our shareholders.

- Income increased 6 per cent to $16.1 billion
- Profit before taxation rose 19 per cent to $6.12 billion
- Normalised earnings per share were up 14 per cent to 197.0 cents

The Board is recommending a final dividend of 46.65 cents per share, making a total annual dividend on a post-rights basis of 69.15 cents per share, up 9 per cent. For the many shareholders who participated in last October's rights issue, the total dividend received is up 15 per cent on the 2009 dividend payment.

We are proud of our long track record in creating shareholder value. Over recent years, we have simultaneously increased our income, earnings per share, capital ratio and total dividends paid out.

In October, our investors helped us raise over $5 billion in our rights issue. Earlier in 2010 we successfully listed our Indian Depository Receipts on the Bombay and National stock exchanges in India. I would like to thank our investors for their continued support throughout the year, and for the confidence they have shown in our future. This has given us excellent balance sheet strength as a foundation for further growth.

Standard Chartered is positioned in some of the fastest growing markets of the world, and has the strong capital base, liquidity and customer relationships required to make the most of this opportunity.

We have broad based, diversified sources of income growth in both Consumer and Wholesale Banking, and are committed to investing for long term growth in both businesses. Most importantly, we have a cohesive, global culture with a consistent strategy focused on the basics of banking.

During recent times, this distinctive culture has emerged as a key differentiator between us and other banks. Here for good, our brand promise, powerfully captures who we are and what makes us different.

Our performance in 2010 reflects the continued success of our business model. Once again, we have demonstrated our determination to stand by our customers and clients, using our capital and liquidity strength to support them in good times and bad. Our total lending to customers and clients increased by nearly $45 billion, over 22 per cent. We continued to lend more to key sectors of the economy across Asia, Africa and the Middle East, including home owners and small and medium-sized enterprises (SMEs). Our mortgage lending increased by 23 per cent to $71 billion, with SME lending at nearly $18 billion up 32 per cent on 2009.

While we continue to see a wealth of growth opportunities for Standard Chartered, we also see challenges, chief among them regulatory risk. Inconsistent global regulatory reform remains a concern. We continue to seek more global co-ordination on regulatory changes.

At Standard Chartered we reward our staff for performance, not failure. Given our strong performance in 2010, the Board believes that annual performance awards to those employees who have performed well is appropriate. Against a profit increase of 19 per cent and a 9 per cent rise in headcount, our bonus pool costs have increased modestly on 2009 levels.

We remain satisfied that our remuneration policies encourage long term performance, rather than short term risk taking. We will continue to meet the significantly enhanced remuneration codes of the Financial Services Authority and the Financial Stability Board, while ensuring that our rewards remain competitive.

Strong management and governance are key components of our business model. This year, we strengthened our board by appointing three non-executive directors: Dr Han Seung-Soo, former Prime Minister of the Republic of Korea; Richard Delbridge, who draws on extensive financial experience from a broad banking career;

and Simon Lowth, currently Executive Director and Chief Financial Officer of AstraZeneca PLC. Our Asia CEO, Jaspal Bindra, who has wide-ranging international experience, was appointed to the Board as Group Executive Director.

In the last two years, following an extensive review, we have changed our board committee structure to reinforce the highest standards of governance. These changes take into account the governance trends arising from the Walker and the UK Financial Reporting Council reviews. In 2010, we created separate Audit and Risk Committees to emphasise our focus on risk management. We also established a Governance Committee and enhanced the remit of the Brand and Values Committee.

In summary, 2010 was another year of great performance. We have demonstrated we have the right strategy, the right culture and the right geographical footprint to deliver consistent and sustained value for our shareholders. We enter 2011 in excellent shape and with strong growth momentum.

John Peace
Chairman
2 March 2011

Consistent and long-term growth

These results represent our eighth consecutive year of record income and profits. This is not a bounce-back, or recovery story, but one of consistent delivery and of diverse and sustained growth. Twenty three of our markets now deliver over $100 million of income, fifteen over $100 million in profit. We are well placed in the world's most attractive markets, winning market share, growing income and profits, and creating value for our shareholders.

A consistent strategy

Much of what drives the Standard Chartered story remains constant. Our strategy remains unchanged, and our aspiration remains the same – we want to be the world's best international bank, leading the way in Asia, Africa and the Middle East. We are putting even greater focus on our clients and customers, on building deep and long-standing relationships, on improving the quality of our service and solutions. We continue to be obsessed with the basics of banking – balancing the pursuit of growth with disciplined management of costs and risks, keeping a firm grip on liquidity and capital. We're continuing to focus on culture and values, on the way we work together across multiple geographies, products and segments, combining deep local knowledge with global capability. These fundamentals underscore everything the Bank does, and everything we as a bank stand for.

I have no doubt that the clarity and consistency of our strategy, our discipline in sticking to it, and unwavering commitment to our distinctive culture and values have been crucial to our continued success. But it would be a mistake to think this means we haven't changed. Standard Chartered today is very different from the organisation I joined in early 2002. We entered that year having made a little over $1 billion in pre-tax profits the year before, with a share-price of £6.92, and some 28,000 staff. We were constantly under threat of takeover. Fast-forward to 2010, and we have two individual markets, India and Hong Kong, delivering a similar amount of profit to the entire Group in 2001. We have over 85,000 staff, and our shareholders have seen a Total Shareholder Return of over 230 per cent from the end of 2001, until the end of last year.

Here for good

While our story remains consistent, the Group continued to evolve rapidly during 2010. One of the most visible changes in 2010 was the launch of Here for good, our brand promise, which captures the essence of who we are. We are a bank that sticks by its clients and customers, through good times and bad; a bank that always tries to do the right thing. We are committed to having a positive impact on the broader economy and on the communities in which we live and work. Here for good resonates with staff, clients and customers and other stakeholders because it's true, because it's simple and because it's powerful. It's a benchmark that people will hold us to, but that is the point.

One example of meeting our aim of delivering for our shareholders, while making a positive impact on the broader economy and society, is in how the Bank has supported our customers in times of stress. We continued to increase our lending to SMEs throughout the crisis: by 14 per cent in 2009, and by 32 per cent, or just over $4 billion in 2010. Mortgage lending also rose by 23 per cent last year. In fact, the Group has increased total lending to clients and customers by over $90 billion since the start of the crisis in mid 2007, an increase of 60 per cent.

To give you a sense of how we're changing the Bank, without altering the fundamentals, I want to talk a bit about what we've been doing in some of our key markets, and what we see ahead.

The outlook for our markets

Most of our markets across Asia, Africa and the Middle East have quickly returned to a trajectory of strong economic growth. The rebalancing of the global economy towards Asia continues apace. Last year, emerging markets accounted for one third of global GDP, but two-thirds of the world's growth. Indeed, we see a fundamentally different world emerging by 2030, as we discussed in our research piece "*The Super-Cycle Report**" published at the end of last year. By 2030, we envisage that the world's five largest economies will be those of China, the US, India, Brazil and Indonesia. While the US and the West will see improved GDP growth, it will hover around 2.5 per cent over the longer term.

* http://www.standardchartered.com/media-centre/press-releases/2010/documents/20101115/The_Super-cycle_Report.pdf

Contrast this with India, at almost 10 per cent and China at 7 per cent. We anticipate the majority of our markets growing at between 5-8 per cent over this period. But it is also the nature of the growth across Asia that is changing. Asian countries' economic growth is increasingly being driven by domestic demand, as well as trading with each other, rather than the traditional reliance on exporting to meet the demands of consumers in the West. Intra-Asia trade and investment flows are growing quickly – from just over 10 per cent of world trade in 2000, to just under 20 per cent last year – and with a projected share of over a third of all global trade by 2030. This growth is underpinned by Asian policymakers' determined approach towards implementing free trade agreements, reducing tariffs and dismantling other regulatory barriers.

This is not to say that there are no challenges facing our markets. There are clearly some difficult issues facing policymakers, particularly as surplus liquidity floods into the region, driving asset price inflation. But while there may be bumps along the way, these will not derail the long-term growth picture.

India

India became our largest market by profits last year for the first time, a great achievement. Before we acquired the Grindlays business in 2000, our profits in India were $45 million. With Grindlays, the total was $110 million. By investing to drive organic growth we have increased profits to $1.2 billion in 2010, a compounded annual growth rate of 27 per cent. Last year income in India was over $2 billion for the first time, up 12 per cent on 2009.

We can't expect India to continue to grow at quite the pace it has in recent years, given the sheer scale of the business, but it will still be one of the Group's big growth engines. We are continuing to invest in new product capabilities, such as equities, new segments, such as private banking and expanded infrastructure, such as our express banking centres.

The launch of our Indian depository receipt, or IDR, in Mumbai was the first listing by an international company in India and a powerful statement of our commitment to India. It also proved a very effective way to build the brand; brand awareness among our target segments sharply increased during 2010.

Looking forward, the Indian economy continues to grow at pace, and we continue to see huge opportunities. Extending our distribution reach beyond our current total of 94 branches is a key priority, particularly for Consumer Banking.

Greater China

Whilst mainland China, Hong Kong and Taiwan are very different as markets, given distinct regulatory systems and very different competitive dynamics, the links between these economies are developing extraordinarily rapidly and this is having a profound impact on trade and capital flows. In response we are positioning to ensure we don't just seize the opportunities the individual markets present, but grasp the Greater China opportunity, helping companies and individuals across the region to trade and invest, to find partners and do deals.

One fact illustrates the pace of these developments. Direct flights between the mainland and Taiwan commenced in July 2008 and today there are nearly 400 direct flights per week, and over a million Taiwanese are estimated to now live in China. In 2010, cross-Straits trade increased nearly 40 per cent to more than $140 billion.

The Greater China dynamic is also having a powerful impact on Hong Kong. Far from being a mature slow growth economy, Hong Kong continues to offer significant growth opportunities as it develops its role as China's international financial centre. Take for example what's happening with the internationalisation of the renmimbi (RMB). In 2009, some $530 million of China's trade was settled in RMB; in 2010, this was over $75 billion. Much of this activity is centered in Hong Kong.

Settling trade transactions in RMB is generating offshore RMB deposits, which grew five times in Hong Kong during 2010, to around CNY315 billion, or $48 billion, and this in turn is enabling the creation of an offshore RMB bond market – the so-called 'dim sum' market, which in turn is fuelling RMB FX trading volumes.

We anticipated these developments, and have been investing in the infrastructure and

capabilities to support them. We were the first bank to facilitate a domestic RMB trade settlement, the first to launch a RMB denominated bond for a foreign corporate and the first to offer retail RMB structured products. Our RMB deposits in Hong Kong grew ten-fold in 2010.

RMB internationalisation is just one example of how China is impacting Hong Kong. Every aspect of the business, including Consumer Banking, is feeling the effects of China's transformation. The performance of the Hong Kong business accelerated in the second half of 2010, with income up 13 per cent on the first half and a record fourth quarter.

Singapore

Singapore is another market that is sometimes seen as mature, but where we see significant growth opportunities, as it successfully builds its role as an international financial centre. With a business friendly environment, great infrastructure, a strong regulatory framework and an efficient tax regime, Singapore is an attractive place to do business. We run our Consumer and Wholesale Banking businesses from Singapore, and many of our key functions, such as technology and operations are centered there. This January we opened our new office in the Marina Bay Financial Centre development, and were the first company to move in. The building accommodates around 4,500 people and houses a trading floor with 790 positions across 65,000 square feet - which we believe is the largest trading floor in Asia.

Singapore is also the main hub of our Private Banking business. From its inception in 2006, and with the benefit of the American Express Bank acquisition in 2007, Private Banking now has $46 billion of assets under management, up 31 per cent on 2009. From a standing start less than 5 years ago, we're already the sixth largest private bank in Asia.

Singapore is also good example of a market where the Group has engaged in select capability acquisitions to boost product capability. Last year we acquired a small factoring business to support our SME clients, and earlier this year we acquired an auto-financing portfolio to enhance our product offering for customers.

Just next door to Singapore is a market whose potential is often underestimated – Indonesia.

Indonesia

Indonesia is the largest economy in South East Asia, the fourth largest population in the world, a country rich in resources, underpinned by a stable political environment, good fiscal policy and a strong currency. We regard Indonesia as one of the fast-growth '7 per cent club' countries over the next 20 years and likely to become the fifth largest global economy by 2030. It is a country undergoing profound change, with political reform opening the country up to investment.

We are in a strong position to take advantage of Indonesia's potential, both through our own business, and via our 45 per cent stake in Permata Bank. Standard Chartered in Indonesia has 26 branches; Permata has 280. With different strengths, and distinct target segments, these complementary franchises enable us to seize the multiple growth opportunities. Indonesia contributed just under $200 million to Group pre-tax profits in 2010 and we believe our Indonesian business has significant potential for further growth over the medium term

Africa

We have a strong franchise in sub-Saharan Africa, across 14 countries. While it's always difficult to talk about these diverse cultures and countries in one breath, it's clear that Africa is playing a stronger role in the global economy, driven in part by increasing global demand for commodities. This will benefit many parts of Africa, and underpins the explosive growth in Africa-Asia trade and investment.

We added to our franchise last year, by opening in Angola, now Africa's third-largest economy, based on its oil exports. We have achieved strong double-digit income growth across most of our African markets. In Nigeria, our largest business in Africa, where we have 26 branches, we achieved over $200 million of income for the first time.

It is regions like Africa that demonstrate the ability of universal banks such as Standard Chartered to be socially useful – not as a one off or charitable activity, but on an ongoing commercial

basis, doing what we do best: driving trade and investment, creating jobs and financing infrastructure. For us, it is all about finding where we can contribute to the wider economy, whilst also making money for our shareholders. Ghana offers a good example. We play a key role in financing exports and supporting large scale infrastructure projects, such as the development of the Jubilee oilfields. We support SMEs and local corporates as they grow and trade. We were the first bank in the country to offer clients commodity, interest rate and currency hedging. In helping our clients manage the risks of investment and trade in an increasingly volatile global economy, these derivative products have real economic and social value.

Africa is a region with many challenges, as the current difficulties in Côte d'Ivoire illustrate, but it is also a region full of promise and positive change.

Middle East and South Asia

Our business in the Middle East more than doubled profits in 2010, largely due to the sharp improvement in loan impairment. In the UAE, our biggest business in the Middle East, we are seeing the benefits of a gradually improving economy and some good progress in tackling over-leverage in the property market.

Whilst some parts of the region are facing significant political and economic challenges, we remain convinced that these markets offer significant opportunities for growth and are investing in both businesses to realize this potential.

Technology and Innovation

Banking technology is also evolving rapidly, and we are making full use of new innovations to change the way we run the business, drive cost efficiencies and improve our service. We have fundamentally transformed the infrastructure of the Bank over the last few years, giving us far greater scalability and resilience and providing a much stronger platform for innovation.

By standardising platforms, re-engineering processes and hubbing activity into our principal shared service centres in Chennai, Kuala Lumpur, and Tianjin, we have been able to drive down technology and operating running costs as a percentage of income from just over 12 per cent six years ago, to less than 8 per cent today, even during a period of substantial volume growth. We are continuously reducing unit transaction costs and have markedly reduced service failures, down by 70 per cent in three years. Our objective here is to relentlessly improve efficiency, so that we have more headroom for investment, while simultaneously enhancing control and resilience.

Technology also creates opportunities for us to be much more innovative in how we interact with our customers and clients. In Singapore and Malaysia, we launched 'Breeze', an innovative iPhone banking app that enables customers to pay bills, transfer money, and find ATMs in an intuitive and easy way. We're also very much at the forefront of developing mobile banking services, particularly in Africa, where mobiles are used to transfer cash, purchase goods, and pay utility bills.

Banking is intrinsically digital and, like other digital industries, can be transformed through technological innovation. We can empower our clients and customers by putting tools and information into their hands. We can achieve radical improvements in processing times and costs. This is an increasingly important part of our strategy, and an area in which we invested in 2010 to build our capabilities further.

Challenges and priorities for 2011

As we look forward, it is essential that we stay focused on our strategy and on the key priorities for 2011: maintaining our track record of delivery, sustaining the momentum in Wholesale Banking, and completing the transformation of Consumer Banking. We need to continue to deepen our relationships with our customers and clients, and ensure we continue our focus on the basics of banking – liquidity, capital, risk and cost discipline. It is also vitally important that we continue to reinforce, and differentiate, our brand.

As a Board, we must focus on executing these priorities, and on striking the right balance between ensuring we keep delivering in the near term whilst also grasping the many growth opportunities our markets offer. This means we need to manage our cost base very tightly,

prioritising investment and delivering continuous improvements in productivity.

The biggest external challenge we face is regulation. Whilst we are broadly supportive of much of the regulatory reform agenda, the sheer scale of actual and potential changes, when applied across all the markets we operate in, represents a very considerable challenge and there is the real risk of unintended consequences. Rather than seeing increasingly global coordination and consistency of regulation, we are seeing increased fragmentation and unilateral action. For example, the UK's recent announcement that the bank levy will be implemented in full during 2011 means that the levy will cost us around $180 million post-tax this year.

We also face challenges in some markets from political turmoil, most obviously in the Middle East and Africa. Thus far, the challenges here are more about protecting our staff and customers, rather than primarily financial, given that our businesses in the most affected countries tend to be rather small. And while rapid political change can be disruptive to business activity in the short term, it can also create opportunities

Perhaps more fundamentally, we remain relatively cautious about the outlook for the world economy this year. We're certainly in a global recovery, but it's a very polarised recovery, and vulnerable to shocks. Our markets, and particularly Asia, are growing strongly, and we're very positive about the longer term outlook. However, the West still faces a deleveraging challenge. There has been limited progress on tackling global imbalances. And the spectre of inflation is very real, in Asia, and in the West. Asia is no longer dependent on the West to drive economic growth, but neither is it decoupled. Currencies, capital flows and trade mean there are powerful interdependencies.

We're running the Bank confident that we are in the right places in the world, but far from complacent. We're alert to inflationary pressures in assets and commodities, always trying to anticipate the unintended consequences of policies and regulatory change.

Finally, I should mention competition. After a couple of years in which many of our competitors were in some disarray, we are seeing more competition across our markets, both from increasingly capable local banks and from international banks returning to the fray. This has had an impact on margins in some markets. But overall we're still winning market share in many markets, products and segments.

In fact, the aspect of competition that most concerns me is the war for talent. There's intense competition for the best people in many of our markets. We need to be competitive in the way we reward and recognise people. We need to be able to provide them with opportunities to grow and develop. That's where our values and culture are a powerful source of competitive advantage, where 'Here for good' sets us apart.

Outlook

Delivering eight years of record income and growth, sustaining our momentum throughout the crisis, has taken a lot of hard work, professionalism and discipline. I would like to take this opportunity to thank all of our staff, for once again showing what we can achieve as a team.

I would also like to thank you, our shareholders, for your support. We were delighted by the way you backed us with the rights issue last October, with 98.5 per cent taking up your rights. We now have capital to absorb the new regulatory requirements and to continue to grow at pace. Indeed, the strength of our capital position, combined with the depth of our liquidity and the diversity of our assets, gives us a balance sheet that is a powerful source of competitive advantage.

We start 2011 strongly with the balance sheet in excellent shape, with good momentum and with volume growth in both businesses. We have had a record January, both in terms of income and profit.

In Wholesale Banking, client income remains strong, ahead of last January and in line with the general trend of client income contributing around three quarters of total income. Our deal pipelines remain very good.

In Consumer Banking, the balance sheet has good velocity and we have invested for growth. We have seen continued steady income

Balance Sheet

The Group continues to be focused on maintaining a strong balance sheet, which remains well diversified and conservative with limited exposure to problem assets classes. We remain highly liquid, with good levels of deposit growth across both businesses during 2010, and continue to be a strong net lender to the interbank market. Our advances to deposits ratio remains excellent at 77.9 per cent compared to 78.6 per cent in 2009. We remain well capitalised and further strengthened the capital position through a successful rights issue. We continue to be disciplined in the management of risk weighted assets through proactive distribution of the loan book. The Group has a conservative funding structure, with limited levels of refinancing over the next few years, and continued to see good appetite for its paper when raising senior debt funding during the year.

Balance sheet footings grew by $80 billion, or 18 per cent year on year. On a constant currency basis the balance sheet grew by 16 per cent as, over the course of 2010, most of the Asian currencies appreciated against the US dollar following a period of volatility in the first half of the year. Balance sheet growth was largely driven by an increase in customer lending on the back of significant growth in customer deposits, with surplus liquidity held with central banks. Increases were also noted in derivative mark to market as volumes continued to grow. Our equity position further strengthened by $10.9 billion, reflecting the proceeds from the rights issue and the Indian Depository Receipts (IDR) listing in India, together with profit accretion during the year.

Around 70 per cent of the Group’s financial assets continue to be held and managed on an amortised cost basis and just over 55 per cent of total assets have a residual contractual maturity of less than one year.

Advances

Loans to banks and customers, including those held at fair value, grew by $45 billion, or 18 per cent, to $300 billion.

Consumer Banking grew their book by $23 billion to $117 billion, which represents 48 per cent of the Group’s customer advances. Mortgages grew across all markets, except Africa, by $13 billion, or 23 per cent, reflecting a period of focused growth in secured products. With delinquency trends and flow rates improving, we also started to selectively drive growth in unsecured products driving up other lending, which includes credit cards and personal loans, by 22 per cent. As business activity levels have increased, lending to SMEs has risen by 32 per cent and we continue to reshape the book. 85 per cent of the Consumer Banking portfolio is in secured and partially secured products.

Wholesale Banking also maintained strong momentum, increasing customer advances by $22 billion, or 20 per cent, to $130 billion, as we continued to focus on deepening existing client relationships. Lending increased across a number of sectors in 2010, with an increased focus on exposure to better rated counterparties and collateralised transactions. Growth was particularly strong in the “Manufacturing” (up $7 billion), “Commerce” (up $3.5 billion) and “Transport, storage and communication” (up $4 billion) sectors as manufacturing and infrastructure projects revived on the back of improvement, especially in the Asian economies. Loans to banks remained relatively flat year on year, although in Hong Kong, our most liquid market, we redirected surplus liquidity to higher yielding assets.

Investment securities

Investment securities, including those held at fair value, grew by $3 billion, due to increased statutory requirement in some countries, higher trading positions based on expected rate movements and a $0.5 billion investment in Agricultural Bank of China. The maturity profile of our investment book is largely consistent with 2009, with around 55 per cent of the book having a residual maturity of less than twelve months.

Derivatives

Following reduced customer appetite for derivative transactions in 2009, confidence is being restored and volumes have significantly increased year on year, with a resultant increase of $10 billion in unrealised mark to market positions at the balance sheet date. Our risk positions continue to be largely balanced, resulting in a corresponding increase in negative mark to market positions. Of the $48 billion mark to market positions, $27 billion is available for offset due to master netting agreements.

Deposits

The Group has continued to see good deposit growth in both businesses in 2010. Deposits by banks and customers, including those held at fair value, increased by $50 billion, with an increase of $59 billion in customer accounts offset by a decline of $9 billion in bank deposits. Customer deposits increased across all markets, with growth in term deposits contributing $39 billion of the increase following a renewed focus in 2010 in driving growth in these products as rates are expected to maintain an upward bias. However, CASA continues to grow strongly and constitutes over 50 per cent of total customer and bank deposits.

Debt securities in issue, subordinated liabilities and other borrowed funds

Subordinated debt dropped by $0.8 billion, as redemptions of $1.5 billion were only partially offset by new issues. The remainder was replaced with senior debt funding, leveraging on the continuing market appetite for our paper and in line with our strategy to reduce Tier 2 capital and strengthen Tier 1 capital.

Cash and balances held at central banks

Cash balances increased $14.6 billion compared to 2009, $5.2 billion of which reflects the proceeds from the rights issue. The remaining increase represents surplus funds held with central banks pending alternate deployment, following strong deposit growth particularly in the last quarter of the year which exceeded asset growth.

Equity

Equity increased by $10.9 billion to $38.9 billion compared to 2009, and was primarily driven by the rights issue and the IDR listing ($5.7 billion) and profit accretion, net of distributions ($3.6 billion). As currencies across our markets appreciated, $0.8 billion of net foreign exchange gains have been recognised in equity, together with an increase of $0.5 billion in unrealised gains (net of realisations) on available-for-sale investments.

Standard Chartered PLC – Risk review

Risk overview

2010 has seen an upturn in the global economy but the pace of recovery has been uneven. Growth in our footprint markets has been buoyant and although there has been a slowdown in the second half of the year, Asia, Africa and the Middle East are still strongly outperforming the West.

Our proactive approach to risk management enabled us to take steps early on in the global financial crisis of 2008-09 to reshape our portfolios and tighten underwriting standards, which helped to mitigate the impact of market turbulence on our performance. In 2010, we have maintained our cautious stance but have selectively increased our exposures in certain markets to capitalise on improved market conditions. Our balance sheet and liquidity have remained strong throughout the year, and we are well positioned for 2011.

Standard Chartered has a defined risk appetite, approved by the Board, which is an expression of the amount of risk we are prepared to take and plays a central role in the development of our strategic plans and policy. We also regularly conduct stress tests to ensure that we are operating within our approved risk appetite.

Our lending portfolio is diversified across a wide range of products, industries and customer segments, which serves to mitigate risk. We operate in more than 70 markets and there is no single market which accounts for more than 20 per cent of loans and advances to customers, or operating income. Our cross-border asset exposure is diversified and reflects our strategic focus on our core markets and customer segments. Approximately 50 per cent of our loans and advances to customers are of short maturity, and within Wholesale Banking more than 65 per cent of loans and advances have a tenor of one year or less. More than 75 per cent of Consumer Banking assets are secured.

We also have low exposure to asset classes and segments outside of our core markets and target customer base. Our exposure to Portugal, Italy, Ireland, Greece and Spain is less than 0.5 per cent of our total assets and our exposure to sovereign debt is negligible.

Our commercial real estate exposure accounts for less than two per cent of our total assets. Our exposure to leveraged loans and to asset backed securities (ABS) each account for approximately 0.5 per cent of our total assets.

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

Our liquidity in 2010 benefited from continued good inflows of customer deposits, which helped us to maintain a strong advances-to-deposits ratio. Liquidity will continue to be deployed to support growth opportunities in our chosen markets. We manage multi-currency liquidity in each of our geographical locations, ensuring that we can meet all short-term funding requirements and that our balance sheet remains structurally sound. We are a net provider of liquidity to the interbank money markets.

We have a well-established risk governance structure and an experienced senior team. Members of our Group Management Committee sit on our principal risk committees, which ensure that risk oversight is a critical focus for all our directors, while common membership between these committees helps us address the inter-relationships between risk types.

In March 2010, the Board Audit and Risk Committee was split into a Board Risk Committee (BRC) and Audit Committee to align with the recommendations of the Walker Review. Also as of March 2010, the Group Chief Risk Officer (GCRO) reports to the Group Finance Director and to the BRC.

Since 1 January 2008, Standard Chartered has used the advanced Internal Ratings Based (IRB) approach under the Basel II regulatory framework to calculate credit risk capital. The UK's Financial Services Authority (FSA) has granted Standard Chartered CAD2 internal model approval covering the majority of interest rate and foreign exchange risk as well as market risk arising from precious and base metals, energy and agricultural trading. Positions outside the CAD2 scope are assessed according to standard FSA rules.

Risk performance review

During 2010, credit conditions continued to improve. Both businesses saw significant reductions in total impairment provisions compared to 2009 as macroeconomic conditions strengthened in our footprint countries.

In Consumer Banking the total loan impairment in 2010, as a percentage of loans and advances to customers, was less than half the 2009 charge. The improvement in impairment was also supported by a disciplined approach to risk management, pre-emptive actions taken to reduce the risks in certain parts of the portfolio and continued investment in collections infrastructure to minimise account delinquency. While there was improvement across all our markets and products, Taiwan, India and the UAE, in particular, significantly reduced their impairment provision charges.

In Wholesale Banking there was a substantial reduction in the level of provisions in 2010 after the increase experienced in 2008-2009. Portfolio indicators trended positively throughout the year in the Wholesale Banking book reflecting the improved credit environment in our footprint. However a number of provisions were taken against corporate customers in a range of industries in the Middle East and Korea.

Total average VaR declined in 2010 compared to 2009. This decline was primarily due to lower non-trading book VaR, and reflected a decrease in the volatility of credit spreads that had increased sharply after the collapse of Lehman Brothers in September 2008.

Principal uncertainties

We are in the business of taking selected risks to generate shareholder value, and we seek to contain and mitigate these risks to ensure they remain within our risk appetite and are adequately compensated. However, risks are by their nature uncertain and the management of risk relies on judgements and predictions about the future.

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

Deteriorating macroeconomic conditions in footprint countries

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

During 2010, the world economy continued to emerge from the crisis, but the pace of recovery diverged significantly between East and West. Accelerated fiscal retrenchment in Europe, combined with the risk aversion created by recent volatility in the Euro area, mean the possibility of a return to negative growth is still a significant risk in some economies in the West. We operate primarily in the countries that have led the global recovery in 2010, and our major markets in Asia, Africa and the Middle East appear well positioned to grow strongly, albeit at a slower pace than in 2010. Our exposure to leveraged loans and European sovereign debt is very low. However, we remain alert to the risk of secondary impacts from events in the West on financial institutions, other counterparties and global economic growth.

Commodity price-driven inflation is a growing concern in a number of our footprint markets, as are rising asset prices caused by rising capital inflows. We expect further monetary tightening and the use of other macro-prudential measures and selective capital controls, especially in Asia and Africa.

While we believe them to be less likely, other risks we are monitoring include a sharp slowdown or another debt crisis in the West, triggered by a surge in oil prices or policy mistakes such as premature tightening, regulatory over-reaction or trade protectionism.

We balance risk and return taking account of changing conditions through the economic cycle, and monitor economic trends in our markets very closely. We also continuously review the suitability of our risk policies and controls.

Regulatory changes and compliance

Our business as an international bank is subject to a complex regulatory framework comprising legislation, regulation and codes of practice, in each of the countries in which we operate.

A key uncertainty relates to the way in which governments and regulators adjust laws and regulations and economic policies in response to macroeconomic and other systemic conditions. The financial crisis has spurred unprecedented levels of proposals to change the regulations governing financial institutions and further changes to regulations remain under consideration in many jurisdictions.

The nature and impact of future changes in laws, regulations and economic policies are not predictable and could run counter to our strategic interests. We support changes to laws, regulations or codes of practice that will improve the overall stability of the financial system. However, we also have concerns that certain proposals may not achieve this desired objective and may have unintended consequences, either individually or in terms of aggregate impact. Proposed changes could affect the volatility and liquidity of the financial markets and, consequently, the way we conduct business and manage capital and liquidity. These effects may directly or indirectly impact our financial performance.

Both unilaterally and through our participation in industry forums, we respond to consultation papers and discussions initiated by regulators and governments. We also keep a close watch on key regulatory developments in order to anticipate changes and their potential impact. A number of changes have been proposed under Basel III but significant uncertainty remains around the specific application and the combined impact of these proposals.

We have a commitment to maintaining strong relationships with governments and regulators in the countries in which we operate. At any time the Group may be in discussion with a range of authorities and regulatory bodies in different countries on matters that relate to its past or current business activities.

The UK government has established the Independent Commission on Banking to consider structural and non-structural reforms to the UK banking sector to promote financial stability and competition. The Commission is set to publish its final recommendations in September. The Commission's conclusions may have an impact on the Group.

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

On 29 February 2008, the Group completed the acquisition of American Express Bank (AEB). Prior to the acquisition, subsidiaries of AEB located in New York and Miami had entered separately into a Written Agreement with the New York State Banking Department and a Cease and Desist Order with the Federal Reserve Bank of Atlanta to address deficiencies relating to compliance with applicable federal and state laws and regulations governing anti-money laundering. All the requirements of the Cease and Desist Order have been satisfied in the first half of 2010 and we are now in full compliance.

Financial markets dislocation

There is a risk that a sudden financial market dislocation, perhaps as a result of a sharp slowdown in economic activity or debt crisis in the West, could significantly increase general financial market volatility which could affect our performance or the availability of capital or liquidity. These factors may have an impact on the mark-to-market valuations of assets in our available-for-sale and trading portfolios. The potential losses incurred by certain customers holding derivative contracts during periods of financial market volatility could also lead to an increase in customer disputes and corporate defaults. At the same time, financial market instability could cause some financial institution counterparties to experience tighter liquidity conditions or even fail. Government action since the global financial crisis of 2008-2009 has reduced the systemic risk, but the impact on the financial services industry of ongoing uncertainty in the broader economic environment means that the risk nonetheless remains.

We maintain robust appropriateness and suitability processes to mitigate the risk of customer disputes. We closely monitor

the performance of our financial institution counterparties and adjust our exposure to these counterparties as necessary.

Geopolitical events
We operate in a large number of markets around the world, and our performance is in part reliant on the openness of cross-border trade and capital flows. We face a risk that geopolitical tensions or conflict in our footprint could impact trade flows, our customers' ability to pay, and our ability to manage capital or operations across borders.

We actively monitor the political situation in all our principal markets, such as the recent upheaval in the Middle East and North Africa. We conduct stress tests of the impact of extreme but plausible geopolitical events on our performance and the potential for such events to jeopardise our ability to operate within our stated risk appetite.

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

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

Exchange rate movements
Changes in exchange rates affect, among other things, the value of our assets and liabilities denominated in foreign currencies, as well as the earnings reported by our non-US dollar denominated branches and subsidiaries. Sharp currency movements can also impact trade flows and the wealth of clients both of which could have an impact on our performance.

We monitor exchange rate movements closely and adjust our exposures accordingly. Under certain circumstances, we may take the decision to hedge our foreign exchange exposures in order to protect our capital ratios from the effects of changes in exchange rates. The effect of exchange rate movements on the capital adequacy ratio is mitigated to the extent there are proportionate movements in risk weighted assets.

The table below sets out the period end and average currency exchange rates per US dollar for India, Korea and Singapore for the periods ending 31 December 2010 and 31 December 2009.

	2010	2009
Indian rupee		
Average	**45.72**	48.35
Period end	**44.68**	46.54
Korean won		
Average	**1,156.34**	1,276.62
Period end	**1,134.61**	1,164.47
Singapore dollar		
Average	**1.36**	1.45
Period end	**1.28**	1.40

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

Risk management

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

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

Through our risk management framework we manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our risk appetite.

As part of this framework, we use a set of principles that describe the risk management culture we wish to sustain:

- balancing risk and return: risk is taken in support of the requirements of our stakeholders, in line with our strategy and within our risk appetite
- responsibility: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social responsibilities and our commitments to customers in taking risk to produce a return
- accountability: risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported
- anticipation: We seek to anticipate future risks and ensure awareness of all known risks
- competitive advantage: We seek to achieve competitive advantage through efficient and effective risk management and control.

Risk governance
Ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board.

Acting within an authority delegated by the Board, the BRC, whose membership is comprised exclusively of non-executive directors of the Group, has responsibility for oversight and review of prudential risks including credit, market, capital and liquidity and operational. It reviews the Group's overall risk appetite and makes recommendations thereon to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material acquisitions and disposals, and monitoring the activities of the Group Risk Committee (GRC) and Group Asset and Liability Committee (GALCO).

The BRC receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

Executive responsibility for risk management is held by the Standard Chartered Bank Court (the Court) which comprises the group executive directors and other directors of Standard Chartered Bank.

The Court delegates authority for the management of risk to several committees.

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

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

The Group PEC is responsible for the management of pension risk.

Members of the Court are also members of both the GRC and GALCO. The GRC is chaired by the GCRO. The GALCO is chaired by the Group Finance Director.

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

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

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

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

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

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

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

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

The Risk Function

The GCRO directly manages a Risk function which is separate from the origination, trading and sales functions of the businesses. The GCRO also chairs the GRC and is a member of the Group Management Committee.

The role of the Risk function is:

- To maintain the Risk Management Framework, ensuring it remains appropriate to the Group's activities, is effectively communicated and implemented across the Group and for administering related governance and reporting processes
- To uphold the overall integrity of the Group's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with the Group's standards
- To exercise direct Risk Control Ownership for Credit, Market, Country Cross-Border, Short-term Liquidity and Operational risk types.

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

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

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

Risk appetite

We manage our risks to build a sustainable franchise in the interests of all our stakeholders.

Risk appetite is an expression of the amount of risk we are willing to take in pursuit of our strategic objectives, reflecting our capacity to sustain losses and continue to meet our obligations arising from a range of different stress trading conditions.

We define our risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. We also define a risk appetite with respect to liquidity risk and reputational risk.

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

The GRC and GALCO are responsible for ensuring that our risk profile is managed in compliance with the risk appetite set by the Board.

Stress testing

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

Our stress testing framework is designed to:

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

A Stress Testing Committee, led by the Risk function with participation from the businesses, Group Finance, Global Research and Group Treasury, aims to ensure that the earnings and capital implications of specific stress scenarios are fully understood. The Stress Testing Committee generates and considers pertinent and plausible scenarios that have the potential to adversely affect our business.

Our stress testing activity in 2010 focused on specific asset classes, customer segments and the potential impact of macroeconomic factors. Stress tests have taken into consideration possible future scenarios that could arise as a result of the development of prevailing market conditions.

Stress testing themes such as currency market disruptions, inflation, US dollar depreciation, declines in asset values or potential border conflicts are co-ordinated by the Stress Testing Committee to ensure consistency of impacts on different risk types or countries. Stress tests for country or risk type are also performed. Examples of risk type stress testing are covered in the section on Market risk.

Credit risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group in accordance with agreed terms. Credit exposures may arise from both the banking and trading books.

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

Credit policies

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

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

Credit rating and measurement

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

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

Our credit grades in Wholesale Banking are not intended to replicate external credit grades, and ratings assigned by external ratings agencies are not used in determining our internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade.

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

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

Credit approval

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

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

Concentration risk

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

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

Credit monitoring
We regularly monitor credit exposures, portfolio performance, and external trends which may impact risk management outcomes.

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

The Wholesale Banking Credit Issues Forum (WBCIF) is a sub-committee of the Wholesale Banking Risk Committee, which in turn is a sub-committee of and derives it authority from the GRC. The WBCIF meets regularly to assess the impact of external events and trends on the Wholesale Banking credit risk portfolio and to define and implement our response in terms of appropriate changes to portfolio shape, portfolio and underwriting standards, risk policy and procedures.

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

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

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

The SME business is managed within Consumer Banking in two distinct customer sub-segments: small businesses and medium enterprises, differentiated by the annual turnover of the counterparty. The credit processes are further refined based on exposure at risk. Larger exposures are managed through the Discretionary Lending approach, in line with Wholesale Banking procedures, and smaller exposures are managed through Programmed Lending, in line with Consumer Banking procedures. Discretionary Lending and private banking past due accounts are managed by GSAM.

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

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

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

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

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

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

For derivative contracts, we limit our exposure to credit losses in the event of default by entering into master netting agreements with certain counterparties. As required by IAS 32, exposures are not presented net in the financial statements.

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

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

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

The Underwriting Committee approves individual proposals to underwrite new corporate security issues. Where an underwritten security is held for a period longer than the target sell-down period, the final decision on whether to sell the position rests with the Risk function.

Maximum exposure to credit risk
The table below presents the Group's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 31 December 2010, before taking into account any collateral held or other credit enhancements. For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

The Group's exposure to credit risk is spread across our markets, in particular Hong Kong, Korea, Singapore, Other Asia Pacific region and Americas, UK and Europe. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty and credit risk is spread over a variety of different personal and commercial customers.

The Group has transferred to third parties by way of securitisation the rights to any collections of principal and interest on customer loan assets with a face value of $3,072 million (2009: $3,601 million). The Group continues to be exposed to related credit and foreign exchange risk on these assets. The Group continues to recognise these assets in addition to the proceeds and related liability of $2,385 million (2009: $3,063 million) arising from the securitisations.

The Group has entered into synthetic credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $18.7 billion (2009:$15.4 billion). The Group continues to hold the underlying assets referenced in the synthetic credit default swaps.

In respect of derivative financial instruments, $26,789 million (2009: $30,539 million) is available for offset as a result of master netting agreements which do not, however, meet the criteria under IAS 32 to enable these balances to be presented on a net basis in the financial statements as in the ordinary course of business they are not intended to be settled net.

Collateral is held to mitigate the credit risk exposures primarily in respect of loans and advances, and consisting of residential, commercial and industrial properties, securities and other assets such as plant and machinery.

The Group's maximum exposure to credit risk has increased by $63.6 billion compared to 2009. Exposure to loans and advances to banks and customers has increased by $43.2 billion due to growth in the mortgage portfolio and broad based growth across several industry sectors in Wholesale banking. Further details of the loan portfolio are set out on page 29. Improving customer appetite for derivatives has increased the Group's exposure by $9.7 billion when compared to 2009.

	2010 $million	2009 $million
Financial assets held at fair value through profit or loss[1]	**25,267**	21,229
Derivative financial instruments	**47,859**	38,193
Loans and advances to banks and customers	**292,416**	249,177
Investment securities[1]	**73,279**	74,079
Contingent liabilities	**41,804**	38,658
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	**45,624**	41,345
	526,249	462,681

1 Excludes equity shares.

Loan portfolio

Loans and advances to customers have grown by $44.6 billion to $246.4 billion.

Consumer banking

Compared to 2009, the Consumer Banking portfolio in 2010 has grown by $22.6 billion, or 24 per cent, mainly due to increased mortgage lending.

The proportion of mortgages in the Consumer Banking portfolio is maintained at 60 per cent. As property markets have strengthened across geographies in the Group's footprint we have been able to capture market share and grow the secured portfolio.

SME lending has grown by $4.3 billion or 32 per cent.

Wholesale banking

Compared to 2009, growth in the Wholesale Banking portfolio was $21.9 billion, or 20 per cent. Whilst spread across geographies and customer segments, the majority of the increase was concentrated in Americas, UK and Europe ($10.2 billion), Hong Kong ($8.2 billion) and Singapore ($3.5 billion). The increase in the Americas, UK and Europe was due to growth in the syndications and commodities businesses with customers in our footprint countries booked within our offshore banking unit. The growth in Hong Kong and Singapore has been broad based across industry segments driven mainly by strong demand in trade finance and corporate term loans.

Exposure to bank counterparties was largely flat at $53.3 billion. We remain highly liquid and a net lender to the interbank money market.

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

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

	2010								
	Asia Pacific								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Loans to individuals									
Mortgages	18,245	10,689	23,061	14,679	2,124	1,331	194	339	70,662
Other	4,237	6,306	5,549	6,034	721	2,593	774	2,699	28,913
Small and medium enterprises	2,314	2,944	4,568	4,938	2,102	575	132	2	17,575
Consumer Banking	24,796	19,939	33,178	25,651	4,947	4,499	1,100	3,040	117,150
Agriculture, forestry and fishing	320	360	36	708	186	110	879	1,278	3,877
Construction	193	119	356	389	387	764	67	179	2,454
Commerce	3,975	5,852	780	4,382	570	4,186	575	6,227	26,547
Electricity, gas and water	406	347	119	949	5	279	177	1,378	3,660
Financing, insurance and business services	4,359	3,363	385	3,611	984	3,135	174	7,479	23,490
Governments	-	1,542	3	572	2	293	70	1,971	4,453
Mining and quarrying	554	884	-	571	225	197	266	6,390	9,087
Manufacturing	4,965	1,468	3,426	8,975	2,598	2,858	1,128	6,895	32,313
Commercial real estate	2,365	2,775	1,314	967	675	819	1	472	9,388
Transport, storage and communication	1,462	2,362	409	1,063	762	763	391	5,944	13,156
Other	182	369	179	328	6	253	87	185	1,589
Wholesale Banking	18,781	19,441	7,007	22,515	6,400	13,657	3,815	38,398	130,014
Portfolio impairment provision	(61)	(41)	(114)	(199)	(54)	(207)	(39)	(45)	(760)
Total loans and advances to customers	43,516	39,339	40,071	47,967	11,293	17,949	4,876	41,393	246,404
Total loans and advances to banks	14,591	7,215	3,193	8,648	523	1,478	420	17,196	53,264

Total loans and advances to customers include $6,046 million held at fair value through profit or loss. Total loans and advances to banks include $1,206 million held at fair value through profit or loss.

	2009								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans to individuals									
Mortgages	14,816	8,149	20,460	11,016	1,685	1,128	212	171	57,637
Other	2,971	4,957	4,951	5,012	772	2,396	678	1,909	23,646
Small and medium enterprises	1,641	2,370	4,024	3,258	1,255	636	113	3	13,300
Consumer Banking	19,428	15,476	29,435	19,286	3,712	4,160	1,003	2,083	94,583
Agriculture, forestry and fishing	16	81	25	351	75	150	613	630	1,941
Construction	274	49	370	350	342	788	116	234	2,523
Commerce	2,508	4,819	939	3,612	861	4,959	765	4,576	23,039
Electricity, gas and water	538	53	188	523	31	371	239	1,395	3,338
Financing, insurance and business services	2,319	4,150	668	4,515	543	4,036	174	5,406	21,811
Governments	-	966	344	3,256	1	250	34	366	5,217
Mining and quarrying	120	569	3	280	139	185	172	4,941	6,409
Manufacturing	2,586	1,061	3,369	7,794	2,485	1,857	685	5,735	25,572
Commercial real estate	1,274	2,275	997	908	360	672	4	518	7,008
Transport, storage and communication	579	1,438	310	1,024	399	1,115	258	4,323	9,446
Other	397	507	268	296	6	234	21	61	1,790
Wholesale Banking	10,611	15,968	7,481	22,909	5,242	14,617	3,081	28,185	108,094
Portfolio impairment provision	(66)	(45)	(112)	(203)	(88)	(293)	(55)	(12)	(874)
Total loans and advances to customers	29,973	31,399	36,804	41,992	8,866	18,484	4,029	30,256	201,803
Total loans and advances to banks	19,453	5,085	2,780	7,232	511	1,864	300	15,708	52,933

Total loans and advances to customers include $3,511 million held at fair value through profit or loss. Total loans and advances to banks include $2,048 million held at fair value through profit or loss.

Standard Chartered PLC – Capital

Capital management

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

Strategic, business and capital plans are drawn up annually covering a three year horizon and are approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained to support our strategy.

The capital plan takes the following into account:

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

We use a capital model to assess the capital demand for material risks, and support our internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of our management disciplines.

A strong governance and process framework is embedded in our capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board. The Board Risk Committee reviews specific risk areas and the issues discussed at the key capital management committees. The Group Asset and Liability Committee (GALCO) sets internal triggers and target ranges for capital management and oversees adherence with these.

Current compliance with Capital Adequacy Regulations
Our lead supervisor is the UK's Financial Services Authority (FSA). The capital that we are required to hold by the FSA is determined by our balance sheet, off-balance sheet, counterparty and other risk exposures. Further detail on counterparty and risk exposures is included in the Risk review on pages 26 to 50.

Capital in branches and subsidiaries is maintained on the basis of host regulators' requirements. Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios in all our legal entities. These processes are designed to ensure that we have sufficient capital available to meet local regulatory capital requirements at all times.

The table on page 52 summarises the consolidated capital position of the Group. The principal forms of capital are included in the following items on the consolidated balance sheet: share capital and reserves (called-up ordinary share capital, preference shares, and eligible reserves), subordinated liabilities (innovative Tier 1 securities and qualifying subordinated liabilities), and loans to banks and customers (portfolio impairment provision).

Movement in capital
On a Basel II basis, Core Tier 1 capital has increased by $9,838 million since 31 December 2009. The 1 for 8 rights issue added $5.2 billion and was supplemented by retained profits of $4.4 billion and the issue of Indian Depository Receipts in June 2010 of $503 million. This was offset by an increase in goodwill and intangibles of $360 million.

Non-Core Tier 1 capital decreased by $107 million and Tier 2 capital increased by $30 million.

Basel II
The Group complies with the Basel II framework which has been implemented in the UK through the FSA's general prudential sourcebook and its prudential sourcebook for Banks, Building Societies and Investment Firms.

From 1 January 2008, we have been using the Advanced Internal Ratings Based approach for the measurement of credit risk capital. This approach builds on our risk management practices and is the result of a significant investment in data warehousing and risk models.

We use Value at Risk (VaR) models for the measurement of market risk capital for part of our trading book exposures where permission to use such models has been granted by the FSA. Where our market risk exposures are not approved for inclusion in VaR models, the capital requirements are determined using standard rules provided by the regulator.

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

Basel III
The Basel III rules text published in December 2010 by the Basel Committee on Banking Supervision (the "BCBS") serves to bring together the details of global regulatory standards on bank capital adequacy and liquidity. While these give us greater clarity on the global regulatory standards and the various timelines for transition, some proposals are still under consideration by the BCBS and the Financial Stability Board, in particular the capital requirements for systemically important financial institutions.

The Group estimates that the impact of adjustments to risk-weighted assets and regulatory capital under both the proposed amendments to Basel II and the introduction of Basel III will be to reduce the Group's future Core Tier 1 capital ratio by up to 1 per cent. This estimate is unchanged in aggregate terms from the assessment disclosed at the time of the rights issue in October 2010.

In setting global regulatory standards, the BCBS has left significant discretion to individual regulators on the exact interpretation and implementation of Basel III and other proposed changes. At present, there remains significant uncertainty as to how the EU, the FSA, as the Group's lead regulator, and various other regulators in our key markets will seek to interpret and apply these arrangements. The Group believes, as it did at the rights issue in October 2010, that it is prudent to assume the imposition of an accelerated timetable for the adoption of the new Basel III framework and that certain regulators are likely to take a conservative approach to the implementation of new capital buffers, resulting in higher effective minimum capital requirements than have yet been announced.

Standard Chartered PLC – Capital continued

The GALCO targets Tier 1 and total capital ratios within a range of 7 to 9 per cent and 12 to 14 per cent respectively. In light of the uncertain economic environment and evolving regulatory debate on banks' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

	2010 $million	2009 $million
Tier 1 capital:		
Called-up ordinary share capital	**1,174**	1,013
Eligible reserves[1]	**35,270**	25,001
Non-controlling interests	**332**	256
Less: excess expected losses[2]	**(664)**	(502)
Less: securitisation	**(132)**	(97)
Goodwill and other intangible assets	**(6,980)**	(6,620)
Other regulatory adjustments	**(60)**	51
Core Tier 1 capital	**28,940**	19,102
Innovative Tier 1 securities	**2,828**	2,860
Preference shares	**2,686**	2,694
Tax on excess expected losses[1]	**185**	163
Less: material holdings	**(326)**	(237)
Total Tier 1 capital	**34,313**	24,582
Tier 2 capital:		
Eligible revaluation reserves	**530**	253
Portfolio impairment provision	**266**	242
Less: excess expected losses	**(664)**	(502)
Qualifying subordinated liabilities:		
Perpetual subordinated debt	**1,494**	1,535
Other eligible subordinated debt	**9,602**	9,547
Less: material holdings and securitisations	**(458)**	(335)
Total Tier 2 capital	**10,770**	10,740
Deductions from Tier 1 and Tier 2 capital	**(3)**	(57)
Total capital base	**45,080**	35,265
Risk weighted assets		
Credit risk	**202,333**	173,315
Operational risk	**26,972**	20,696
Market risk	**15,772**	19,912
Total risk weighted assets	**245,077**	213,923
Capital ratios		
Core Tier 1 capital	**11.8%**	8.9%
Tier 1 capital	**14.0%**	11.5%
Total capital ratio	**18.4%**	16.5%

[1] The tax benefit on excess expected losses is included 50 per cent in 'Eligible reserves' and 50 percent in Tax on excess expected losses.

[2] Excess expected losses are shown gross.

Risk weighted assets

	2010 $million	2009 $million
Consumer Banking	**67,551**	53,215
Wholesale Banking	**177,526**	160,708
Total risk weighted assets	**245,077**	213,923
Hong Kong	**31,138**	24,706
Singapore	**29,294**	21,531
Korea	**25,707**	26,093
Other Asia Pacific	**46,896**	41,276
India	**19,247**	17,381
Middle East & Other S Asia	**32,952**	28,727
Africa	**11,220**	10,228
Americas, UK & Europe	**55,505**	52,921
	251,959	222,863
Less : Intra-group balances[1]	**(6,882)**	(8,940)
Total risk weighted assets	**245,077**	213,923
Risk weighted amounts [2]		
Contingent liabilities	**15,266**	13,422
Commitments	**10,394**	8,856

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

[2] Includes amounts relating to the Group' share of its joint ventures.

Risk weighted assets (RWA) increased by $31.1 billion or 15 per cent compared to December 2009, with an increase in Wholesale Banking and Consumer Banking of $16.8 billion and $14.3 billion respectively. Wholesale Banking RWA growth was concentrated in Americas, UK & Europe, Other Asia Pacific, Hong Kong, Singapore, Middle East and Other South Asia partly off-set by Korea. Consumer Banking RWA growth was mainly in Other Asia Pacific, Singapore, Korea, Hong Kong and India.

Credit risk RWA increased by $29.0 billion, or 17 per cent, largely driven by a Wholesale Banking increase of $15.9 billion. The growth in Wholesale Banking was driven by good levels of asset growth in Transaction Banking and Lending of $19.2 billion, credit migration of $2.6 billion, which reduced significantly from $13.2 billion in the previous year. Other RWA increases of $0.7 billion were offset by RWA efficiencies of $3.8 billion (essentially due to higher collateral recoveries) and Portfolio Management benefits of $2.8 billion.

The growth in Consumer Banking credit risk RWA, of $13.1 billion primarily arose from strong growth in the retail unsecured, SME and retail mortgage portfolios across Other Asia Pacific, Hong Kong, Singapore, Korea and India.

The FSA has granted the Group CAD2 internal model approval covering the majority of interest rate and foreign exchange risk as well market risk arising from precious and base metals trading. In November 2010, the approval was extended to cover energy and agricultural trading. Positions outside the CAD2 scope are assessed according to standard FSA rules.

At 31 December 2010 our market risk RWA was $15.8 billion (31 December 2009: $19.9 billion). The reduction was due to inclusion of energy and agricultural trading into the CAD2 internal model. Of the total market risk RWA, 24 per cent is CAD2 internal model and 76 per cent is standard rules.

Operational risk RWA increased by $6.3 billion, or 30 per cent. Given that this is primarily determined by the change in income over a rolling three year time horizon, the growth reflects the strong performance of the Group over that period.

Standard Chartered PLC - Consolidated income statement

For the year ended 31 December 2010

	Notes	2010 $million	2009 $million
Interest income		13,500	12,926
Interest expense		(5,030)	(5,303)
Net interest income		8,470	7,623
Fees and commission income		4,556	3,824
Fees and commission expense		(318)	(454)
Net trading income	3	2,577	2,890
Other operating income	4	777	1,301
Non-interest income		7,592	7,561
Operating income		16,062	15,184
Staff costs		(5,765)	(4,912)
Premises costs		(800)	(698)
General administrative expenses		(1,899)	(1,822)
Depreciation and amortisation	5	(559)	(520)
Operating expenses		(9,023)	(7,952)
Operating profit before impairment losses and taxation		7,039	7,232
Impairment losses on loans and advances and other credit risk provisions	6	(883)	(2,000)
Other impairment	7	(76)	(102)
Profit from associates		42	21
Profit before taxation		6,122	5,151
Taxation	8	(1,708)	(1,674)
Profit for the year		4,414	3,477
Profit attributable to:			
Non-controlling interests	26	82	97
Parent company shareholders		4,332	3,380
Profit for the year		4,414	3,477
Earnings per share:			
Basic earnings per ordinary share (cents)	10	196.3	161.8 [1]
Diluted earnings per ordinary share (cents)	10	193.0	159.3 [1]
Dividends per ordinary share :			
Interim dividends paid (cents)	9	22.50[1]	20.45 [1]
Final proposed dividends (cents)[2]	9	46.65	43.16 [1]
		69.15	63.61
Total dividend :			
Interim dividend paid ($ million)		481	425
Final proposed dividend ($ million)[2]		1,089	904
		1,570	1,329

[1] Amounts have been restated as explained in note 33.

[2] The final dividend will be accounted for in 2011 as explained in note 9.

Standard Chartered PLC - Consolidated statement of comprehensive income
For the year ended 31 December 2010

	Notes	2010 $million	2009 $million
Profit for the year		**4,414**	3,477
Other comprehensive income:			
Exchange differences on translation of foreign operations:			
Net gains taken to equity		**842**	799
Net losses on net investment hedges		**(77)**	(199)
Reclassified to income statement on change of control		**4**	-
Actuarial gains/(losses) on retirement benefit obligations	24	**83**	(150)
Share of other comprehensive income from associates		**(5)**	19
Available-for-sale investments:			
Net valuation gains taken to equity		**786**	455
Reclassified to income statement		**(284)**	(580)
Cash flow hedges:			
Net gains taken to equity		**42**	14
Reclassified to income statement		**17**	106
Taxation relating to components of other comprehensive income		**(101)**	62
Other comprehensive income for the year, net of taxation		**1,307**	526
Total comprehensive income for the year		**5,721**	4,003
Attributable to:			
Non-controlling interests	26	**112**	111
Parent company shareholders		**5,609**	3,892
		5,721	4,003

Standard Chartered PLC - Consolidated balance sheet

As at 31 December 2010

	Notes	2010 $million	2009 $million
Assets			
Cash and balances at central banks	11, 28	**32,724**	18,131
Financial assets held at fair value through profit or loss	11, 12	**27,021**	22,446
Derivative financial instruments	11, 13	**47,859**	38,193
Loans and advances to banks	11, 14	**52,058**	50,885
Loans and advances to customers	11, 15	**240,358**	198,292
Investment securities	11, 16	**75,796**	75,728
Other assets	11, 17	**25,356**	17,201
Current tax assets		**179**	203
Prepayments and accrued income		**2,127**	3,241
Interests in associates		**631**	514
Goodwill and intangible assets		**6,980**	6,620
Property, plant and equipment		**4,507**	4,103
Deferred tax assets		**946**	1,096
Total assets		**516,542**	436,653
Liabilities			
Deposits by banks	11, 19	**28,551**	38,461
Customer accounts	11, 20	**306,992**	251,244
Financial liabilities held at fair value through profit or loss	11, 12	**20,288**	14,505
Derivative financial instruments	11, 13	**47,133**	36,584
Debt securities in issue	11, 21	**31,381**	29,272
Other liabilities	11, 22	**21,094**	16,139
Current tax liabilities		**981**	802
Accruals and deferred income		**4,528**	4,113
Subordinated liabilities and other borrowed funds	11, 23	**15,939**	16,730
Deferred tax liabilities		**165**	193
Provisions for liabilities and charges		**315**	184
Retirement benefit obligations	24	**310**	506
Total liabilities		**477,677**	408,733
Equity			
Share capital	25	**1,174**	1,013
Reserves		**37,038**	26,327
Total parent company shareholders' equity		**38,212**	27,340
Non-controlling interests	26	**653**	580
Total equity		**38,865**	27,920
Total equity and liabilities		**516,542**	436,653

Standard Chartered PLC - Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital	Share premium account	Capital and capital redemption reserve[1]	Merger reserve	Available-for-sale reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Parent company shareholders equity	Non-controlling interests	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
At 1 January 2009	948	4,743	18	5,617	(5)	(83)	(1,784)	12,686	22,140	555	22,695
Profit for the year	-	-	-	-	-	-	-	3,380	3,380	97	3,477
Other comprehensive income	-	-	-	-	(88)	98	599	(97)[2]	512	14	526
Distributions	-	-	-	-	-	-	-	-	-	(87)	(87)
Shares issued, net of expenses	44	106	-	1,667	-	-	-	-	1,817	-	1,817
Net own shares adjustment	-	-	-	-	-	-	-	(81)	(81)	-	(81)
Share option expense, net of taxation	-	-	-	-	-	-	-	311	311	-	311
Capitalised on scrip dividend	21	(21)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(739)	(739)	-	(739)
Other increases	-	-	-	-	-	-	-	-	-	1	1
At 31 December 2009	**1,013**	**4,828**	**18**	**7,284**	**(93)**	**15**	**(1,185)**	**15,460**	**27,340**	**580**	**27,920**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,332**	**4,332**	**82**	**4,414**
Other comprehensive income	**-**	**-**	**-**	**-**	**401**	**42**	**773**	**61**[3]	**1,277**	**30**	**1,307**
Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(54)**	**(54)**
Shares issued, net of expenses	**147**	**572**	**-**	**5,137**	**-**	**-**	**-**	**-**	**5,856**	**-**	**5,856**
Net own shares adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(135)**	**(135)**	**-**	**(135)**
Share option expense, net of taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**296**	**296**	**-**	**296**
Capitalised on scrip dividend	**14**	**(14)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends, net of scrip	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(745)**	**(745)**	**-**	**(745)**
Other increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**	**(9)**	**15**	**6**
At 31 December 2010	**1,174**	**5,386**	**18**	**12,421**	**308**	**57**	**(412)**	**19,260**	**38,212**	**653**	**38,865**

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

[2] Comprises actuarial losses, net of taxation and non-controlling interests, of $(116) million and share of comprehensive income from associates of $19 million.

[3] Comprises actuarial gains, net of taxation and non-controlling interests, of $66 million and share of comprehensive loss from associates of $(5) million.

Standard Chartered PLC - Consolidated cash flow statement

For the year ended 31 December 2010

	Notes	2010 $million	2009 [1] $million
Cash flows from operating activities			
Profit before taxation		**6,122**	5,151
Adjustments for:			
Non-cash items included within income statement	27	**1,874**	1,760
Change in operating assets	27	**(82,334)**	2,962
Change in operating liabilities	27	**59,274**	(13,293)
Contributions to defined benefit schemes		**(150)**	(124)
UK and overseas taxes paid		**(1,421)**	(1,210)
Net cash used in operating activities		**(16,635)**	(4,754)
Net cash flows from investing activities			
Purchase of property, plant and equipment		**(370)**	(261)
Disposal of property, plant and equipment		**183**	218
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired		**(545)**	(68)
Purchase of investment securities		**(114,076)**	(129,739)
Disposal and maturity of investment securities		**116,658**	126,678
Dividends received from associates		**22**	11
Net cash from/(used in) investing activities		**1,872**	(3,161)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses		**5,856**	1,817
Purchase of own shares[2]		**(182)**	(103)
Exercise of share options through ESOP		**47**	22
Interest paid on subordinated liabilities		**(773)**	(872)
Gross proceeds from issue of subordinated liabilities		**770**	2,063
Repayment of subordinated liabilities		**(1,549)**	(2,440)
Interest paid on senior debts		**(956)**	(539)
Gross proceeds from issue of senior debts		**13,853**	11,577
Repayment of senior debts		**(11,146)**	(8,828)
Dividends paid to non-controlling interests and preference shareholders, net of scrip		**(155)**	(188)
Dividends paid to ordinary shareholders, net of scrip		**(644)**	(638)
Net cash from financing activities		**5,121**	1,871
Net decrease in cash and cash equivalents		**(9,642)**	(6,044)
Cash and cash equivalents at beginning of year		**68,073**	73,699
Effect of exchange rate movements on cash and cash equivalents		**1,303**	418
Cash and cash equivalents at end of year	28	**59,734**	68,073

[1] Amounts have been restated as explained in note 33.

[2] Net of proceeds from sale of rights by the trusts.

Standard Chartered PLC - Notes to the financial statements

1. Basis of preparation

The Group financial statements consolidate those of Standard Chartered PLC (the 'Company') and its subsidiaries (together referred to as the 'Group'), equity account the Group's interest in associates and proportionately consolidate interests in jointly controlled entities. The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRIC') interpretations as adopted by the EU (together 'adopted IFRS').

On 1 January 2010, the Group adopted prospectively IFRS 3 (revised) 'Business Combinations' and consequential amendments to IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investment in Associates', and IAS 31 ' Interest in Joint Ventures'.

IFRS 3 (revised) continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all acquisition-related costs are expensed and no longer capitalised as part of the cost of acquisition and all payments to acquire a business – including those that are contingent – are recorded at fair value at the acquisition date. Also, when a controlling interest in an entity is acquired, any previously held interest in that entity is effectively disposed of at its fair value – with any gain or loss when compared to its carrying value recognised in the income statement – and re-acquired in aggregate with the controlling stake acquired. In addition, whilst the determination of fair value has not changed, IFRS 3 (revised) requires that assets acquired with uncertain cash flows – such as loans and advances – be recorded at the fair value of expected cash flows and accordingly no impairment provisions are recognised as at the date of acquisition, although the disclosure of the gross contractual cash flows not expected to be collected are set out in note 18. The revised standard has also changed certain terminology with minority interests now incorporated within non-controlling interests.

The amendments to IAS 27 (revised) require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The amendments also specify the accounting when control is lost, with any remaining interest in the entity re-measured to fair value, and a gain or loss is recognised in profit or loss.

On 1 January 2010, the Group adopted improvements to IFRS (2009), a collection of amendments to a number of IFRSs. The amendments to IFRS 2, IFRS 8, IAS 1, IAS 7, IAS 18, IAS 39 and IFRIC 16 were applied on a retrospective basis and amendments to IFRS 5, IAS 36, IAS 38 and IFRIC 9 were applied on a prospective basis. None of these amendments had a material impact on the Group's financial statements.

A summary of the Group's significant accounting policies will be included in the 2010 Annual Report.

2. Segmental Information

The Group is organised on a worldwide basis for management and reporting purposes into two main business segments: Consumer Banking and Wholesale Banking. The products offered by these segments are summarised under 'Income by product' below. The businesses' focus is on broadening and deepening the relationship with customers, rather than maximising a particular product line. Hence the Group evaluates segmental performance based on overall profit or loss before taxation (excluding corporate items not allocated) and not individual product profitability. Product revenue information is used as a way of assessing customer needs and trends in the market place. The strategies adopted by Consumer Banking and Wholesale Banking need to be adapted to local market and regulatory requirements, which is the responsibility of country management teams. While not the primary driver of the business, country performance is an important part of the Group's matrix structure and is also used to evaluate performance and reward staff. Corporate items not allocated are not aggregated into the businesses because of the one-off nature of these items.

The Group's entity-wide disclosure comprises geographic areas, classified by the location of the customer, except for Financial Market products which are classified by the location of the dealer.

Transactions between the business segments and geographic areas are carried out on an arms length basis. Apart from the entities that have been acquired in the last two years, Group central expenses have been distributed between the business segments and geographic areas in proportion to their direct costs, and the benefit of the Group's capital has been distributed between segments in proportion to their average risk weighted assets. In the year in which an acquisition is made, the Group does not charge or allocate the benefit of the Group's capital. The distribution of central expenses is phased in over two years, based on the estimate of central management costs associated with the acquisition.

2. Segmental Information continued

By class of business

	2010					2009				
	Consumer Banking $million	Wholesale Banking $million	Total reportable segments $million	Corporate items not allocated[2] $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Total reportable segments $million	Corporate items not allocated[3] $million	Total $million
Internal income	(28)	28	-	-	-	(55)	55	-	-	-
Net interest income	4,066	4,404	8,470	-	8,470	3,876	3,747	7,623	-	7,623
Other income	2,041	5,547	7,588	4	7,592	1,808	5,489	7,297	264	7,561
Operating income	6,079	9,979	16,058	4	16,062	5,629	9,291	14,920	264	15,184
Operating expenses	(4,176)	(4,840)	(9,016)	(7)	(9,023)	(3,709)	(4,185)	(7,894)	(58)	(7,952)
Operating profit before impairment losses and taxation	1,903	5,139	7,042	(3)	7,039	1,920	5,106	7,026	206	7,232
Impairment losses on loans and advances and other credit risk provisions	(578)	(305)	(883)	-	(883)	(1,052)	(948)	(2,000)	-	(2,000)
Other impairment	(12)	(64)	(76)	-	(76)	(1)	(82)	(83)	(19)	(102)
Profit from associates	-	-	-	42	42	-	-	-	21	21
Profit before taxation	1,313	4,770	6,083	39	6,122	867	4,076	4,943	208	5,151
Total assets employed	125,589	389,197	514,786	1,756	516,542	103,534	331,306	434,840	1,813	436,653
Total liabilities employed	160,991	315,540	476,531	1,146	477,677	144,167	263,571	407,738	995	408,733
Other segment items:										
Capital expenditure[1]	249	816	1,065	-	1,065	160	901	1,061	-	1,061
Depreciation	163	166	329	-	329	161	151	312	-	312
Investment in associates	-	-	-	631	631	-	-	-	514	514
Amortisation of intangible assets	83	147	230	-	230	71	137	208	-	208

[1] Includes capital expenditure in Wholesale Banking of $498 million in respect of operating lease assets (31 December 2009: $630 million).

[2] Relates to UK payroll tax, gains on change in control, and the Group's share of profit from associates.

[3] Relates to gain on buy-back of subordinated debt, disposal of businesses, UK payroll tax, impairment of associates and other strategic investments and the Group's share of profit from associates.

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

	2010 $million	2009 $million
Consumer Banking		
Cards, Personal Loans and Unsecured Lending	2,044	1,992
Wealth Management	1,138	921
Deposits	1,202	1,311
Mortgage and Auto Finance	1,513	1,244
Other	182	161
Total operating income by product	6,079	5,629
Wholesale Banking		
Lending and Portfolio Management	868	849
Trade	1,467	1,289
Cash management and custody	1,303	1,248
Global Markets		
Financial Markets	3,303	3,311
Asset and Liability Management (ALM)	912	963
Corporate Finance	1,710	1,294
Principal Finance	416	337
Total Global Markets	6,341	5,905
Total operating income by product	9,979	9,291

24. Retirement benefit obligations

Retirement benefit obligations comprise:

	2010 $million	2009 $million
Total market value of assets	2,149	2,009
Present value of the schemes' liabilities	(2,446)	(2,507)
Defined benefit schemes obligation	(297)	(498)
Defined contribution schemes obligation	(13)	(8)
Net book amount	(310)	(506)

Retirement benefit charge comprises:

	2010 $million	2009 $million
Defined benefit schemes	39	30
Defined contribution schemes	143	108
Charge against profit	182	138

The pension cost for defined benefit schemes was:

	2010 $million	2009 $million
Current service cost	88	86
Past service cost	(53)	(54)
Gain on settlements and curtailments	(10)	(11)
Expected return on pension scheme assets	(111)	(112)
Interest on pension scheme liabilities	125	121
Total charge to profit before deduction of tax	39	30
Gain on assets in excess of expected return	(59)	(114)
Experience (gain)/loss on liabilities	(24)	264
Total (gain)/loss recognised directly in other comprehensive income before tax	(83)	150
Deferred taxation	17	(37)
Total (gain)/loss after tax	(66)	113

The UK government announced on 8 July 2010 that it would extend the use of the Consumer Prices Index (CPI) for increases to pensions in deferment and payment from the public sector to the private sector occupational pension arrangements rather than the Retail Prices Index (RPI). It is expected that CPI increases will be around 0.9 per cent per annum lower than RPI. As the UK scheme rules link some increases directly to the index used by the government, the change in legislation means that these will be automatically linked to CPI and the resulting reduction in liability of $54 million has been recognised in the income statement as a negative past service cost. In the case of discretionary pension increases, the change is not automatic but the Group still expects that future discretionary increases will be referenced to CPI. The resulting reduction in liability of $100 million has been treated as change in assumptions and recognised in other comprehensive income

25. Share capital, reserves and own shares

Share capital

Group and Company

	Number of ordinary shares (millions)	Ordinary share capital $million	Preference share capital $million	Total $million
At 1 January 2009	1,896	948	-	948
Capitalised on scrip dividend	41	21	-	21
Shares issued	88	44	-	44
At 31 December 2009	**2,025**	**1,013**	**-**	**1,013**
Capitalised on scrip dividend	**28**	**14**	**-**	**14**
Shares issued	**295**	**147**	**-**	**147**
At 31 December 2010	**2,348**	**1,174**	**-**	**1,174**

2010

On 11 June 2010, the Company completed the listing of Indian Depository Receipts (IDRs) on the Bombay and National stock exchanges by issuing 24,000,000 shares of the Company against 240,000,000 IDRs (at a ratio of 10 IDRs representing 1 Company share). The shares were issued at a price of Indian Rupees (INR)104 per IDR representing a 6 per cent discount to the Company's closing share price of 1637 pence on 28 May 2010, which contributed $504 million towards the Group's capital, net of expenses of $27 million. The proceeds of this listing will be used by the Group in the ordinary course of business.

On 13 May 2010, the Company issued 18,190,898 new ordinary shares instead of the 2009 final dividend. On 4 October 2010 the Company issued 9,688,558 new ordinary shares instead of the 2010 Interim dividend.

During the year 10,550,826 shares were issued under employee share plans at prices between nil and 1146 pence.

On 13 October 2010, the Company announced the issue of 260,525,763 new ordinary shares by way of rights to qualifying shareholders at 1280 pence per new ordinary share. The issue was on the basis of 1 ordinary share for every 8 ordinary shares held on 21 October 2010. The rights issue raised $5.2 billion in additional capital for the Company, net of expenses of $122 million. The proceeds will be used in the ordinary course of business. The rights issue used a cash box structure involving a Jersey subsidiary (JerseyCo) which was fully owned by the Company prior to the transaction. In return for an issue of shares by the Company to the investors, the net proceeds of the share issue were paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares it did not own. Under this structure merger relief applies under Section 612 of the Companies Act 2006 which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the share issue proceeds.

Own shares

Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust (the 1995 trust), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes, and of the Standard Chartered 2004 Employee Benefit Trust (the 2004 trust) which is an employee benefit trust used in conjunction with the Group's deferred bonus plan. The trustee has agreed to satisfy a number of awards made under the employee share schemes and the deferred bonus plan through the relevant employee benefit trust. As part of these arrangements Group companies fund the trust, from time to time, to enable the trustee to acquire shares to satisfy these awards. All shares have been acquired through the London Stock Exchange.

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the Company listed on The Stock Exchange of Hong Kong Limited during the year. Details of the shares purchased and held by the trusts are set out below.

	1995 Trust		2004 Trust		Total	
Number of shares	**2010**	2009	**2010**	2009	**2010**	2009
Shares purchased	**6,856,494**	4,788,000	**401,018**	357,909	**7,257,512**	5,145,909
Market price of shares purchased ($ million)	**182**	99	**10**	4	**192**	103
Shares held at the end of the year	**13,429,212**	7,589,615	**539,605**	498,127	**13,968,817**	8,087,742
Maximum number of shares held during year					**13,971,029**	8,089,480

26. Non-controlling interests

	$300m 7.267% Hybrid Tier 1 Securities	Other non-controlling interests	Total
	$million	$million	$million
At 1 January 2009	327	228	555
Expenses in equity attributable to non-controlling interests	-	14	14
Other profits attributable to non-controlling interests	19	78	97
Comprehensive income for the year	19	92	111
Distributions	(22)	(65)	(87)
Other increases	-	1	1
At 31 December 2009	**324**	**256**	**580**
Income in equity attributable to non-controlling interests	**-**	**30**	**30**
Other profits attributable to non-controlling interests	**19**	**63**	**82**
Comprehensive income for the year	**19**	**93**	**112**
Distributions	**(22)**	**(32)**	**(54)**
Other increases	**-**	**15**	**15**
At 31 December 2010	**321**	**332**	**653**

27. Cash flow statement

Adjustment for non-cash items included within the income statement

	2010	2009 [1]
	$million	$million
Depreciation and amortisation	**559**	520
Gain on disposal of property, plant and equipment	**(65)**	(40)
Gain on disposal of available-for-sale and loan and receivable financial assets	**(300)**	(592)
Gain arising on repurchase of subordinated-liabilities	**-**	(264)
Writedowns relating to asset backed securities	**-**	4
Movement in fair value hedges on available-for-sale assets	**(4)**	6
Amortisation of discounts and premiums of investment securities	**3**	(762)
Pension costs for defined benefit schemes	**39**	30
Share based payment costs	**390**	375
Impairment losses on loans and advances and other credit risk provisions	**883**	2,000
Other impairment	**76**	102
Profit from associates	**(42)**	(21)
(Gain)/loss on sale of businesses and arising on change of control	**(4)**	2
Recoveries of acquisition fair values and discount unwind	**(91)**	(101)
Interest expense on subordinated liabilities	**430**	501
Total	**1,874**	1,760

Change in operating assets

	2010	2009
	$million	$million
(Increase)/decrease in derivative financial instruments	**(8,736)**	32,293
Net increase in debt securities, treasury bills and equity shares held at fair value through profit or loss	**(13,554)**	(6,331)
Net increase in loans and advances to banks and customers	**(50,519)**	(21,801)
Decrease in pre-payments and accrued income	**1,165**	286
Increase in other assets	**(10,690)**	(1,485)
Total	**(82,334)**	2,962

27. Cash flow statement continued

Change in operating liabilities

	2010 $million	2009 [1] $million
Increase/(decrease) in derivative financial instruments	9,628	(31,941)
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	43,879	21,398
Increase/(decrease) in accruals and deferred income	298	(121)
Increase/(decrease) in other liabilities	5,469	(2,629)
Total	59,274	(13,293)

[1] Amounts have been restated as explained in note 33.

28. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition. Restricted balances comprise minimum balances required to be held at central banks.

	2010 $million	2009 $million
Cash and balances at central banks	32,724	18,131
Less restricted balances	(7,385)	(4,971)
Treasury bills and other eligible bills	4,770	7,748
Loans and advances to banks	26,161	37,127
Trading securities	3,464	10,038
Total	59,734	68,073

29. Contingent liabilities and commitments

The table below shows the contract or underlying principal amounts and risk weighted amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	2010 $million	2009 $million
Contingent liabilities[1]		
Guarantees and irrevocable letters of credit	31,765	28,731
Other contingent liabilities	10,039	9,927
	41,804	38,658
Commitments[1]		
Documentary credits and short term trade-related transactions	7,505	6,695
Forward asset purchases and forward deposits placed	877	874
Undrawn formal standby facilities, credit lines and other commitments to lend:		
One year and over	24,014	20,616
Less than one year	21,610	20,729
Unconditionally cancellable	60,108	45,344
	114,114	94,258

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

29. Contingent liabilities and commitments continued

Contingent liabilities

Where the Group undertakes to make a payment on behalf of its customers for guarantees issued such as for performance bonds or as irrevocable letters of credit as part of the Group's transaction banking business for which an obligation to make a payment has not arisen at the reporting date those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs officials, for bids or offers and as shipping guarantees.

Commitments

Where the Group has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees whether cancellable or not or letters of credit and the Group has not made payments at the balance sheet date, those instruments are included in these financial statements as commitments.

30. Repurchase and reverse repurchase agreements

The Group enters into collateralised reverse repurchase and repurchase agreements and securities borrowing and lending transactions. It also receives securities as collateral for commercial lending.

Balance sheet assets

	2010 Reverse repurchase agreements $million	2009 Reverse repurchase agreements $million
Banks	10,740	1,192
Customers	3,540	1,603
	14,280	2,795

Under reverse repurchase and securities borrowing arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	2010 $million	2009 $million
Securities and collateral which can be repledged or sold (at fair value)	14,168	2,624
Thereof repledged/transferred to others for financing activities, to satisfy commitments under short sale transactions or liabilities under sale and repurchase agreements (at fair value)	2,153	1,696

Balance sheet liabilities

	2010 Repurchase agreements $million	2009 Repurchase agreements $million
Banks	1,707	1,567
Customers	1,305	380
	3,012	1,947

Collateral pledged against these liabilities is disclosed in notes 12, 15 and 16. The terms and conditions relating to the collateral pledged typically permits the collateral to be sold or repledged, subject to the obligation to return the collateral at the end of the agreement.

31. 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 page 28 of the Risk review).

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

	2010		2009	
	Total assets	**Maximum exposure**	Total assets	Maximum exposure
	$million	**$million**	$million	$million
Portfolio management vehicles	**2,083**	**262**	1,694	339
Principal Finance Funds[1]	**995**	**134**	988	130
Structured finance	**948**	**690**	-	-
	4,026	**1,086**	2,682	469

[1] Committed capital for these funds is $375 million (2009: $375 million) of which $129 million (2009: $130 million) has been drawn down net of provisions for impairment of $33 million (2009: $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.

The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure and real estate.

Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more SPEs, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return. The transactions in 2010 largely related to the provision of ship finance.

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.

32. Post balance sheet events

Tax

On 22 June 2010, the UK Government announced its intention to propose Parliament to reduce the UK corporation tax rate from 28 per cent to 27 per cent in 2011-12, with further reductions to 26 per cent in 2012-13, 25 per cent in 2013-14 and 24 per cent in 2014-15. As of 31 December 2010, only the 27 per cent tax rate change for 2011-12 was substantially enacted. Had the 2012-15 change of nominal tax rates been substantially enacted as of the said date, the UK deferred tax assets for 2010 would have further reduced by $15 million.

Acquisitions

On 24 January 2011, the Group announced the acquisition of GE Money Pte Ltd, a leading specialist in auto and unsecured personal loans in Singapore. The acquisition is expected to complete in the first quarter of 2011.

UK bank levy

On 15 October 2010, the UK Government announced the introduction of an ongoing levy on certain qualifying liabilities of the Group with effect from January 2011, determined based on the balance sheet at the end of the financial year. The levy, which will not be deductible for corporation tax, will be charged on total liabilities excluding Tier 1 capital, insured or guaranteed retail deposits and repos secured on certain sovereign debt. There will also be a deduction from chargeable liabilities for an amount equal to high quality liquid assets and an allowance of GBP 20 billion before the levy is due. On 8 February 2011 the Government announced that the rate of the levy had been set at 0.075 per cent of qualifying liabilities, with a lower rate of 0.0375 per cent applied to longer maturity wholesale funding and deposits by financial traders. The Group estimates that the liability in respect of 2011 would be between $160 million and $195 million. There is no liability to be recognised in 2010.

33. Restatement of prior periods

Cash flow statement

The cash flow statement has been represented as follows:

- Share based payment costs have been reclassified under 'Non-cash items included within income statement', previously these costs were included in profit before taxation;
- Interest paid on certain subordinated debt instruments has been reclassified from 'Net cash used in operating activities' to 'Net cash from financing activities'; and
- Cash flow information relating to senior debts has been reclassified from 'Cash flows from operating activities' to 'Net cash from financing activities.

	As reported at 2009 $million	Reclassified $million	Restated at 2009 $million
Non-cash items included within income statement	1,385	375	1,760
Change in operating liabilities	(11,219)	(2,074)	(13,293)
Net cash used in operating activities	(3,055)	(1,699)	(4,754)
Interest paid on subordinated liabilities	(361)	(511)	(872)
Interest paid on senior debts	-	(539)	(539)
Gross proceeds from issue of senior debts	-	11,577	11,577
Repayment of senior debts	-	(8,828)	(8,828)
Net cash from financing activities	172	1,699	1,871

Investment securities

At 31 December 2009, the Group has reclassified certain investment securities measured as loans and receivables between those listed on a recognised UK stock exchange, those listed elsewhere and those that are unlisted. Details of the reclassification are set out below:

	As reported at 2009 $million	Reclassified $million	Restated at 2009 $million
Listed on a recognised UK exchange	-	374	374
Listed elsewhere	1,287	(374)	913

Earnings per share

On 13 October 2010 the Group announced the issue of 260,525,763 new ordinary shares by way of rights to qualifying shareholders at 1280 pence per share. The issue was made as 1 share for every 8 held on 21 October 2010. As required by International Accounting Standard 33 Earnings per share (IAS 33) the Group has adjusted the 2009 basic, diluted, normalised basic and normalised diluted earnings per share with the bonus element included within the rights issue.

	As reported at 2009 cents	Restated cents	Restated at 2009 cents
Basic earnings per ordinary share	167.9	(6.1)	161.8
Diluted earnings per ordinary share	165.3	(6.0)	159.3
Normalised basic earnings per ordinary share	179.8	(6.6)	173.2
Normalised diluted earnings per ordinary share	177.0	(6.4)	170.6

Dividend per share

The dividend per share amounts in the table below have been adjusted for the bonus element included within the 2010 rights issue in line with the restatement of prior period earnings per share amounts required by IAS 33.

	As reported cents	Restated cents	As restated cents
Dividend per share – Final dividend 2008	42.32	(1.55)	40.77
Dividend per share – Interim dividend 2009	21.23	(0.78)	20.45
Dividend per share – Final dividend 2009	44.80	(1.64)	43.16
Dividend per share – Interim dividend 2010	23.35	(0.85)	22.50

34. Related party transactions

Directors and officers

Details of directors' pay and benefits and interests in shares are disclosed in the Directors' remuneration report in the Annual Report and Accounts.

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.

	2010 $million	2009 $million
Salaries, allowances and benefits in kind	**19**	16
Pension contributions	**6**	6
Bonuses paid or receivable	**12**	9
Share based payments	**35**	37
	72	68

Transactions with directors, officers and others

At 31 December 2010, 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:

	2010		2009	
	Number	$000	Number	$000
Directors	2	3,030	1	13
Officers[1]	2	3,458	5	7,240

[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.

As at 31 December 2010, Standard Chartered Bank had created a charge over $38 million (2009: $31 million) of cash assets in favour of the independent trustees of its employer financial retirement benefit schemes.

Other than as disclosed in the 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 loans and advances to Merchant Solutions and China Bohai Bank totalling $42 million and $6 million respectively at 31 December 2010 (2009: $32 million) and amounts payable to Merchant Solutions and China Bohai Bank of $34 million and $2 million respectively at 31 December 2010 (2009: $nil million). During the year China Bohai Bank undertook a rights issue to which the Group subscribed, increasing its investment by $102 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 $2 million at 31 December 2010 (2009: $3 million), and deposits of $24 million (2009: $16 million). The Group has investments in subordinated debt issued by PT Bank Permata Tbk of $127 million (2009: $50 million). On 3 October 2010 PT Bank Permata Tbk announced a rights issue of 1 share for every 6 shares held, to which the Group fully subscribed, increasing its investment by $99 million, proportionate to its shareholding.

35. 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 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.

36. 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 2010 were approved by the directors on 2 March 2011. These accounts will be published on 25 March 2011 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.

37. UK and Hong Kong accounting requirements

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

Standard Chartered PLC – Statement of directors' responsibilities

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 2010 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 2010 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
2 March 2011

Standard Chartered PLC – Additional information

A. Remuneration

The Group employed 85,231 staff at 31 December 2010 (2009: 78,494)[1].

Performance and reward philosophy and principles

The Group's success depends upon the performance and commitment of talented employees. Our performance, reward and benefits approach supports and drives our business strategy and reinforces our values in the context of a clearly articulated risk appetite and a 'One Bank' framework. Our approach:

- supports a strong performance-oriented culture, ensuring that individual reward and incentives relate directly to: (i) the performance and behaviour of the individual (ii) tthe performance of the business; and (iii) to the interests of shareholders
- maintains a competitive reward package that reflects our international nature and enables us to attract, retain and motivate our employees
- reflects the fact that many of our employees bring international experience and expertise, and we recruit from a global marketplace The Remuneration Committee reviews the policy on a regular basis against significant regulatory developments, market practice and shareholder views and makes appropriate adjustments.

Performance oriented culture

Our 'One Bank' philosophy, which applies to all employees, ensures that behaviours including prudent risk management and values are rewarded as well as business performance and is central to our remuneration policy. It means that we seek to ensure our approach to reward and performance management is consistent across all employees. We believe that performance and related reward outcomes should be a consequence of both how performance is delivered and what is delivered. This is taken into account in all personal objectives, performance assessments and reward decisions made within Standard Chartered and has a tangible impact on the reward that employees receive. Target total compensation is benchmarked to the relevant market in which each individual is employed, while the potential total compensation is set at upper quartile or higher for excellent individual and business performance.

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

[1] The period end number of employees for 2009 has been restated to primarily reflect the inclusion of fixed-term contract workers as employees in line with the definition under the Companies Act 2006.

Summarised consolidated income statement

First and second half 2010	1st half 2010 $million	2nd half 2010 $million	**2010** **$million**
Interest income	6,462	7,038	**13,500**
Interest expense	(2,307)	(2,723)	**(5,030)**
Net interest income	4,155	4,315	**8,470**
Fees and commission income	2,288	2,268	**4,556**
Fees and commission expense	(140)	(178)	**(318)**
Net trading income	1,351	1,226	**2,577**
Other operating income	270	507	**777**
Total non-interest income	3,769	3,823	**7,592**
Operating income	7,924	8,138	**16,062**
Staff costs	(2,808)	(2,957)	**(5,765)**
Premises costs	(381)	(419)	**(800)**
General administrative expenses	(884)	(1,015)	**(1,899)**
Depreciation and amortisation	(271)	(288)	**(559)**
Operating expenses	(4,344)	(4,679)	**(9,023)**
Operating profit before impairment losses and taxation	3,580	3,459	**7,039**
Impairment losses on loans and advances and other credit risk provisions	(437)	(446)	**(883)**
Other impairment	(50)	(26)	**(76)**
Profit from associates	23	19	**42**
Profit before taxation	3,116	3,006	**6,122**
Taxation	(935)	(773)	**(1,708)**
Profit for the year	2,181	2,233	**4,414**
Profit attributable to:			
Non-controlling interests	33	49	**82**
Parent company shareholders	2,148	2,184	**4,332**
Profit for the year	2,181	2,233	**4,414**
Earnings per share:			
Basic earnings per ordinary share (cents)	99.6 [1]	96.8	**196.3**
Diluted earnings per ordinary share (cents)	98.2 [1]	94.8	**193.0**

[1] Restated

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.

Advanced Internal Rating Based (AIRB) approach — The AIRB approach under the Basel II framework is used to calculate credit risk capital based on the Group's own estimates of certain parameters.

Attributable profit to ordinary shareholders — Profit for the year after non-controlling interests and the declaration of dividends on preference shares classified as equity.

CAD2 — An amendment to Capital Adequacy Directive that gives national regulators the discretion to permit firms to use their own value at risk model for calculating capital requirements subject to certain criteria.

Collateralised Debt Obligations (CDOs) — Securities issued by a third party which reference ABSs and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.

Collateralised Loan Obligation (CLO) — A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).

Commercial Mortgage Backed Securities (CMBS) — Securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Commercial 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 operating expense to total operating 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.

Constant currency — Constant currency change is derived by applying a simple translation of the previous period functional currency number in each entity using the current average and period end US dollar exchange rates to the income statement and balance sheet respectively.

Core Tier 1 Capital — Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus non-controlling interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the UK's FSA (Financial Services Authority).

Core Tier 1 Capital ratio — Core Tier 1 capital as a percentage of risk weighted assets.

Credit Conversion Factor (CCF) — CCF is an internally modelled parameter based on historical experience to determine the amount that is expected to be further drawn down from the undrawn portion in a committed facility.

Credit Default Swaps (CDSs) — A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit risk spread — The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

Credit valuation adjustments (CVA) — An adjustment to fair value primarily in respect of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the transactions.

Customer deposits — Money deposited by all individuals and companies which are not credit institutions. Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.

Debt restructuring — This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.

Debt securities	Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.
Debt securities in issue	Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.
Delinquency	A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans 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.
Effective tax rate (ETR)	The tax on profits on ordinary activities as a percentage of profit on ordinary activities before taxation.
Expected loss (EL)	The Group measure of anticipated loss for exposures captured under an internal ratings based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), with a one-year time horizon.
Exposures	Credit exposures represent the amount lent to a customer, together with an undrawn commitments.
Exposure at default (EAD)	The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.
Foundation Internal Ratings Based Approach	A method of calculating credit risk capital requirements using internal PD models but with supervisory estimates of LGD and conversion factors for the calculation of EAD.
Funded / unfunded exposures	Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where there is a commitment to provide future funding is made but funds have been released/not released.
Guaranteed mortgages	Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.
Impaired loans	Loans where individual identified impairment allowance has been raised and also includes 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 collective, or 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.
Investment grade	A debt security, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.
Leveraged finance	Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt : EBITDA (earnings before interest, tax, depreciation and amortisation)) typically arising from private equity sponsor led acquisitions of the businesses concerned.
Liquidity and credit enhancements	Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing commercial paper.
Liquid Asset ratio	Ratio of total liquid assets to total assets. Liquid assets comprise Cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.
Loans and advances	This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a Home loan.
Loans to individuals	Money loaned to individuals rather than institutions. The loans may be for car or home purchases, medical care, home repair, holidays, and other consumer uses.

Loan-to-value ratio	The loan-to-value ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.
Loans past due	Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.
Loss given default (LGD)	LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.
Master netting agreement	An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.
Mezzanine capital	Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.
Mortgage Backed Securities (MBS)	Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Mortgage related assets	Assets which are referenced to underlying mortgages.
Medium term notes (MTNs)	Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.
Net asset value per share	Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net interest income	The difference between interest received on financial assets and interest paid on financial liabilities.
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.
Non-performing loans	A non performing loan is any loan that is more than 90 days past due or is otherwise individually impaired, other than a loan which is: – renegotiated before 90 days past due, and on which no default in interest payments or loss of principal is expected; or – renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.
Normalised earnings	Profit attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.
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.
Probability of default (PD)	PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.
Profit attributable to ordinary shareholders	Profit for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.
Renegotiated loans	Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. Such assets will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation may lead to a new agreement, which would be treated as a new loan.
Repo/Reverse repo	A repurchase agreement or repo is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.
Residential mortgage	A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a Home loan.

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

Standard Chartered PLC – Financial Calendar

Financial Calendar

Event	Date
Ex-dividend date	9 March 2011
Record date	11 March 2011
Expected posting to shareholders of 2010 Report and Accounts	25 March 2011
Annual General Meeting	5 May 2011
Payment date – final dividend on ordinary shares	11 May 2011

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 2010 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.

Standard Chartered PLC – Index

	Page
Assets held at fair value	73
Asset backed securities	41
Balance sheet	56
Business combinations	78
Capital base and ratios	52
Cash flow statement	58
Consumer Banking:	
• Financial review	14
• Loan impairment coverage ratio	33
Contingent liabilities and commitments	84
Country cross border risk	42
Customer accounts	80
Derivatives	74
Depreciation and amortisation	64
Dividends	66
Earnings per share	67
Financial calendar	97
Financial instruments	
• Classification	68
• Valuation	70
• Instruments carried at amortised cost	71
• Reclassification	72
Financial review of Group:	
• Operating income and profit	12
• Group consolidated balance sheet	20
Glossary	93
Hedging	46
Highlights	1
Impairment losses on loans and advances:	
• Total impairment provisions	36
• Consumer Banking	33
• Wholesale Banking	34
Income statement	54
Industry concentration in loans and advances	29

	Page
Investment securities	76
Liabilities held at fair value	74
Liquidity risk	46
Loan maturity analysis	31
Market risk	43
Non-controlling interests	83
Net interest margins and yield	62
Normalised earnings	67
Operational risk	50
Other impairment	65
Other operating income	64
Post balance sheet events	86
Remuneration	91
Reputational risk	50
Retirement benefit obligations	81
Risk management framework	24
Risk weighted assets	53
Restatement of prior period	87
Segmental information by business	60
Segmental information by geography	61
Segmental information of deposits	62
Share capital	82
Shares held by share scheme trust	82
Statement of change in equity	57
Special purpose entities	86
Statement of comprehensive income	55
Subordinated liabilities	80
Summarised income statement by halves	92
Summary results	3
Taxation	65
Trading income	63
Wholesale Banking:	
• Financial review	17
• Loan impairment coverage ratio	34