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 - Stock Code: 02888

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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

Standard Chartered PLC – Group Chief Executive's review

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 progress in the first month and start 2011 without the significant drag of liability margin pressure.

Our forward looking risk indicators remain benign as the global economic environment continues to improve, albeit somewhat unevenly. However we are watchful of asset and consumer price inflation and the policy implications this may trigger. Regulatory change will continue to be the biggest external risk to our performance.

So what can you expect from us in 2011?

- Given the markets we operate in, and the momentum of our businesses, we believe we can continue to deliver double-digit growth in income in 2011 and beyond.
- Excluding the impact of the UK bank levy, for the Group in total we are managing the business to bring income and cost growth in line for the full year in 2011.
- Earnings and Return on Equity will reflect the momentum of the businesses. However, there are two factors that will impact these metrics in 2011: the full year dilutive effect of the rights issue and the UK bank levy.

The Bank enters 2011 in great shape. We have a clear strategy, which we will stick to. We have an increasingly powerful brand. We have an exceptionally strong balance sheet. Both our businesses have good momentum and began the year well.

Peter Sands
Group Chief Executive
2 March 2011

Group summary

The Group has delivered another record performance for the eighth year in succession. Operating income increased by $878 million, or 6 per cent, to $16,062 million. Operating profit rose 19 per cent to $6,122 million. On a constant currency basis, operating income rose 3 per cent and operating profit rose 16 per cent.

The normalised cost to income ratio was 55.9 per cent, compared to 51.3 per cent in 2009 and reflects the conscious decision to continue investing in both businesses to underpin the Group's future growth. Investments in 2010 include – opening new branches, investing in new business lines, hiring front office relationship staff, improving systems and investing in the brand. Additionally, increased regulatory and compliance costs as well as pressure on talent retention as competition returns strongly to our key markets has led to a cost growth of 13 per cent.

Normalised earnings per share (EPS) increased by 14 per cent to 197.0 cents. Further details of basic and diluted earnings per share are provided in note 10 on page 67. Our disciplined approach to risk has resulted in credit quality improvement in both businesses. Consumer Banking experienced lower impairment in 2010; its lowest average loss rate for 10 years. Wholesale Banking "early alert" indicators improved steadily throughout 2010 and do not show any particular concentration in terms of industry or geography. Overall, the Group's asset quality is good and the level of impairment is significantly below the levels seen in 2009.

The Group continues to adopt a conservative stance to balance sheet management with a continued emphasis on liquidity and capital management. The liquidity position continues to strengthen with very good levels of deposit growth in both businesses, especially in current accounts and saving accounts. This, coupled with selective asset growth and a continuing rigour around key liquidity metrics at a country level, has resulted in an advances to deposits ratio of the Group at 77.9 per cent, compared to 78.6 per cent in the previous year. The asset book remains high quality with a short tenor profile in Wholesale Banking and with a strong bias to secured lending in Consumer Banking. The funding structure remains conservative with very limited levels of refinancing required over the next few years.

The Group generated good levels of organic equity and further strengthened its capital position with a $5.2 billion rights issue in November 2010. Our Core Tier 1 ratio of 11.8 per cent is significantly up from 8.9 per cent at the end of 2009.

We have continued to perform consistently and delivered another record performance in 2010 built on strong foundations and diversified income streams. We have continued to invest in both businesses and 2011 has started well. We are well prepared to capture the growth opportunities provided by our markets.

Operating income and profit

	2010 $million	2009 $million	2010 vs 2009 Better/(worse) %
Net interest income	**8,470**	7,623	11
Fees and commissions income, net	**4,238**	3,370	26
Net trading income	**2,577**	2,890	(11)
Other operating income	**777**	1,301	(40)
	7,592	7,561	-
Operating income	**16,062**	15,184	6
Operating expenses	**(9,023)**	(7,952)	13
Operating profit before impairment losses and taxation	**7,039**	7,232	(3)
Impairment losses on loans and advances and other credit risk provisions	**(883)**	(2,000)	(56)
Other impairment	**(76)**	(102)	(25)
Profit from associates	**42**	21	100
Profit before tax	**6,122**	5,151	19

Group performance

Operating income grew by $878 million, or 6 per cent, to $16,062 million. Consumer Banking continued to make good progress in transitioning towards a customer-focused business model. Income was 8 per cent higher at $6,079 million. Consumer Banking has continued to be impacted by low margins but balance sheet growth coupled with improved Wealth Management income on the back of improving investor sentiment has led to positive income growth. Wholesale Banking continued to strengthen relationships with existing clients. Client income has grown 17 per cent. However, a fall in own account income from the exceptional levels seen in early 2009 has restricted our income growth in Wholesale Banking to 7 per cent, at $9,979 million.

The Group's income streams continue to be highly diversified with all eight geographic segments continuing to deliver over a billion dollars of income in 2010. This is reflective of the emphasis on client and customer annuity flows in both businesses. With the exception of Americas, UK & Europe, all geographic segments delivered positive income growth. Income grew in a range of high single digit to low teen growth in all geographies except MESA, which was impacted by the aftermath of the market developments in the UAE in late 2009 and Hong Kong, our largest market, which was impacted by margin compression.

Whilst interest rates continued to be low and impacted liability margins in particular, both businesses benefitted from balance sheet momentum. Net interest income grew by $847 million or 11 per cent. The Consumer Banking business has selectively increased focus on unsecured lending in selected markets with higher margins. Consumer Banking interest income grew $223 million or 6 per cent. Wholesale Banking net interest income increased $624 million or 16 per cent as new mandates and higher balances across the Transaction Banking and Lending businesses helped offset lower margins. On average, the year on year fall in margins was 37 basis points (bps) and 15 bps, for Trade and Cash, respectively. Asset and Liability Management ('ALM') was also adversely impacted as maturing investments were reinvested at lower yields in early part of 2010. Accrual income was lower, primarily as a result of flatter money market yields, especially in markets such as United States and Hong Kong.

The Group net interest margin at 2.2 per cent was marginally down from 2.3 per cent in 2009, reflecting the continuing low margins on liability products and also some pressure on asset margins in the latter half of 2010 as competition intensified.

Non-interest income grew marginally by $31 million to $7,592 million but experienced a significant shift in mix. Net fees and commissions income increased by $868 million, or 26 per cent, to $4,238 million but was offset by lower trading income and the absence of any debt buy-back transactions, which in 2009, had contributed gains of $264 million. The increase in fee income was in both businesses. In Wholesale Banking, it was primarily through Corporate Finance, Trade and Capital Market fees. In Consumer Banking, it was driven by an improved investor sentiment to Wealth Management products.

Net trading income fell $313 million, or 11 per cent, to $2,577 million as a result of lower own account income, reflecting in part the exceptional performance in the first half of 2009 when the market was more volatile and competition distracted. 2010 saw a more normalised and range bound movement in interest rates and yields. The return of competition further narrowed spreads. We have however, continued to build scale through a strong pipeline of client driven business focussing on strategic and transactional opportunities and leveraging on our local corporate franchise in key geographies.

Other operating income primarily comprises gains arising on sale from the available-for-sale (AFS) portfolio, aircraft lease income and dividend income. In 2009, it also included gains arising from buy-back of Tier 2 notes but this was not repeated in 2010. Other operating income fell by $524 million, or 40 per cent, to $777 million driven by lower gains arising from the sale of AFS assets. This was partially offset by higher income from aircraft leasing as we grew the portfolio. Other operating income also included $29 million of recoveries in respect of assets that had been fair valued at acquisition in Taiwan, Korea and Pakistan, down 33 per cent from 2009.

Operating expenses increased $1,071 million, or 13 per cent, to $9,023 million. At constant exchange rates the increase was 10 per cent. This increase was primarily driven by staff expenses, which grew 17 per cent, or $853 million, to $5,765 million. In the aftermath of the crisis in 2008, both businesses had controlled expenditure very tightly in 2009 with Consumer Banking in particular taking steps to reduce headcount. As the external environment improved in the latter half of 2009 and revenue momentum trended positively, both businesses increased investment. This has continued in 2010 with investment in specialist and front line staff and infrastructure spend by way of new branches and enhancement of distribution channels. The change in the external environment has also resulted in greater competition for talent necessitating appropriate retention measures in our key markets. Expenses in 2010 include some $150 million relating to increased direct regulatory and compliance costs, with investments in upgrading capabilities, systems infrastructure to support surveillance and new regulatory reporting requirements and on specific reviews related primarily to historical sanctions compliance across various geographies. This was partially offset by a $54 million reduction on retirement obligations in the UK consequent to a change in the measure for applying increases from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). In addition, we have recently announced a settlement relating to Lehman's structured notes amounting to $192 million. This has an impact of $95 million on 2010 costs. Expense in 2009 included the cost of the buy-back of structured notes in Taiwan of $170 million, the UK bonus tax of $58 million and the reduction of retirement benefits in Taiwan of $59 million.

Operating profit before impairment losses and taxation (also referred to as "Working Profit") was lower by $193 million, or 3 per cent, at $7,039 million. On a constant currency basis, the decrease was 5 per cent.

The charge for loan impairment fell by $1,117 million, or 56 per cent, to $883 million. This was a result of improving economic conditions in most of our markets as well as our consistently robust risk management processes and underwriting standards. Consumer Banking also benefitted from a largely secured lending portfolio. The Wholesale Banking impairment charge, which was driven by a small number of specific provisions has fallen following an improvement in early alerts and a lower rate of credit migration.

Other impairment charges were lower at $76 million, down from $102 million in 2009. These include impairments related to our asset backed portfolio. The previous year also included impairment of certain strategic investments.

Operating profit was up $971 million, or 19 per cent, to $6,122 million. India joined Hong Kong as the second market to deliver over $2 billion of income this year and became the largest geography by profit in 2010.

The Group's effective tax rate (ETR) was 27.9 per cent, down from 32.5 per cent in 2009. The 2009 ETR was higher than the Group's normal underlying tax rate due to the effects of a voluntary exercise with Her Majesty's Revenue and Customs (HMRC) which finalised prior year UK tax computations from 1990 to 2006 and resulted in a onetime charge of $190 million.

Consumer Banking

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

2010	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	Consumer Banking Total $million
Operating income	**1,116**	**728**	**1,058**	**1,478**	**493**	**691**	**381**	**134**	**6,079**
Operating expenses	**(721)**	**(384)**	**(797)**	**(1,085)**	**(336)**	**(458)**	**(254)**	**(141)**	**(4,176)**
Loan impairment	**(45)**	**(33)**	**(139)**	**(122)**	**(56)**	**(159)**	**(19)**	**(5)**	**(578)**
Other impairment	**-**	**-**	**(4)**	**(1)**	**-**	**-**	**(5)**	**(2)**	**(12)**
Operating profit/(loss)	**350**	**311**	**118**	**270**	**101**	**74**	**103**	**(14)**	**1,313**

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	Consumer Banking Total $million
Operating income	1,082	635	995	1,283	444	678	351	161	5,629
Operating expenses	(604)	(297)	(701)	(1,046)	(248)	(395)	(229)	(189)	(3,709)
Loan impairment	(104)	(34)	(185)	(240)	(147)	(285)	(28)	(29)	(1,052)
Other impairment	5	-	(1)	(2)	5	-	-	(8)	(1)
Operating profit/(loss)	379	304	108	(5)	54	(2)	94	(65)	867

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

Operating income by product	**2010 $million**	2009 $million	2010 vs 2009 Better /(Worse) %
Cards, Personal Loans and Unsecured Lending	**2,044**	1,992	3
Wealth Management	**1,138**	921	24
Deposits	**1,202**	1,311	(8)
Mortgages and Auto Finance	**1,513**	1244	22
Other	**182**	161	13
Total operating income	**6,079**	5,629	8

Consumer Banking operating income grew $450 million, or 8 per cent, to $6,079 million. On a constant currency basis, income grew 4 per cent. Net interest income grew $223 million, or 6 per cent, to $4,038 million. Asset and liability balances increased and helped offset lower liability margins, which fell 16 bps from the previous year. Non-interest income at $2,041 million, was $227 million, or 13 per cent, higher compared to $1,814 million in the previous year driven by higher Wealth Management as consumer demand improved due to rebounding equity markets. The business continued to focus on liquidity and managing and improving its deposits mix. Current and Savings Account (CASA) balances constitute just under 60 per cent of Consumer Banking deposits, largely similar to levels seen at the previous year end.

Income grew in all geographic segments except Americas, UK & Europe.

Expenses were up $467 million or 13 per cent to $4,176 million. On a constant currency basis, expenses were up 8 per cent. Costs increased primarily as a result of increase in front line staff as well as investment targeted at expansion of the distribution network, system enhancements and increased marketing spend.

Loan impairment fell by $474 million, or 45 per cent, to $578 million. Delinquency rates have continued to improve through the year due to an easing of the economic environment and this coupled with the proactive credit actions and de-risking of the portfolio has helped reduce impairment levels.

Operating profit grew $446 million, or 51 per cent, to $1,313 million. On a constant currency basis, the increase was 47 per cent. The second half operating profit was 4 per cent higher than the first half.

Product performance

Income from Cards, Personal Loans and Unsecured Lending grew $52 million, or 3 per cent, to $2,044 million predominantly in Hong Kong, Singapore and Other Asia Pacific (Other APR), especially in Malaysia, Indonesia and China. Excluding the $68 million gains arising from the sale of BC Cards in 2009, income grew 6 per cent. Wealth Management was adversely impacted by subdued investment sentiment in 2009. Market sentiment and investor appetite has gradually improved through 2010 resulting in an increase in income of $217 million, or 24 per cent, to $1,138 million, led by funds and treasury products. We continued our focus on selected markets in Asia where investor sentiment was better on the back of improving economic and market indicators. Deposits continued to be impacted by margin compression, which further intensified in key markets due to competitive pricing. Deposit gathering initiatives driven by product innovation including bundling of products and a focus on collaborating with Wholesale Banking to source payroll accounts continued. Deposits grew 15 per cent and helped offset the margin compression of 16 bps.

Mortgages and Auto Finance performed well delivering positive income growth of $269 million, or 22 per cent, to $1,513 million. Margins on retail mortgages fell 13 bps but were offset by advances growth on the back of improving property markets in many of our geographies although regulatory focus and curbs introduced in certain markets remain a challenge.

The 'Other' classification primarily includes SME related trade and transactional income and has grown 13 per cent on a relatively low base.

Geographic performance

Hong Kong

Income was up $34 million, or 3 per cent, to $1,116 million. Hong Kong is our most liquid market and income was therefore impacted by the low interest rate environment. Liability margin compression was countered by strong growth in balance sheet footings with both advances and deposits growing. Advances growth was across multiple products and we gained market share in Mortgages and Cards. The SME segment grew benefiting from higher trade loans. Wealth Management income has shown significant improvement driven through higher unit trust sales and securities brokerage services. Income in the second half of 2010 was significantly higher than the first half. Operating expenses were up $117 million, or 19 per cent due to regulatory settlements related to structured notes and investments in front office staff coupled with increased marketing spend. Working profit was down $83 million, or 17 per cent, to $395 million. Loan impairment was considerably lower at $45 million. Personal bankruptcies, which were high in early 2009, reduced considerably over period. This, coupled with the focus earlier in 2010 on secured lending, has helped reduce impairment levels. Operating profit fell $29 million, or 8 per cent, to $350 million.

Singapore

Income was up $93 million, or 15 per cent, to $728 million. On a constant currency basis, income grew 9 per cent, especially in Mortgages and Cards, supported by customer-centric product innovation. Wealth Management which saw reduced demand in early 2010 improved considerably through the year registering a significant growth on the back of improved investor sentiment. Deposit income continued to be challenged by low interest rates. From a customer segment perspective, the Private Banking business consolidated on prior investments and delivered strong income momentum. Operating expenses increased $87 million, or 29 per cent, to $384 million with investments in frontline staff, marketing and infrastructure to underpin future income momentum. On a constant currency basis, this was 22 per cent higher. Working profit was up $6 million, or 2 per cent, at $344 million. Despite the 29 per cent growth in customer advances, loan impairment was marginally down $1 million, or 3 per cent, to $33 million. Operating profit was higher by $7 million or 2 per cent at $311 million. On a constant currency basis, operating profit fell 1 per cent.

Korea

Income was up $63 million, or 6 per cent, to $1,058 million. On a constant currency basis and excluding the $68 million gain on sale of BC Cards in 2009, income was up 3 per cent with growth in Mortgages and Personal Loans. The SME business saw higher advances. Wealth Management income was up strongly driven by investment sales and bancassurance. Deposit income continued to be impacted by narrowing margins. Operating expenses grew $96 million, or 14 per cent, to $797 million. On a constant currency basis, expenses were 3 per cent higher. We have continued to reshape our distribution network and related infrastructure. During 2010, we refurbished or relocated 17 existing branches and opened 12 new branches. Working profit was 11 per cent lower at $261 million. On a constant currency basis, this was 20 per cent lower. Loan impairment was down $46 million, or 25 per cent, to $139 million driven by the de-risking of the portfolio through 2009 and early 2010. Operating profit was up $10 million, or 9 per cent, to $118 million. On a constant currency basis, operating profit decreased by 1 per cent.

Other Asia Pacific (Other APR)

Income was up $195 million, or 15 per cent, to $1,478 million. All major markets including China, Taiwan, Indonesia and Malaysia saw positive income momentum. Income in China was up 19 per cent to $204 million driven by strong advances growth and improved deposit margins. This helped compensate for the fall in asset margins. Taiwan saw strong income growth in Mortgages and Wealth Management, with higher sales of mutual funds and structured notes as consumer confidence improved and equity markets rose. Income grew 13 per cent to $449 million. Income in Malaysia was up 20 per cent to $295 million, benefitting from a growth in Mortgages, SME and Personal Loans. Operating expenses in Other APR were up $39 million, or 4 per cent, to $1,085 million. Excluding the impact of the buy-back of structured notes and reduced retirement obligations in Taiwan in 2009, current year expenses were up $157 million or 17 per cent. Expenses across the region were driven by the investment focus as we grew frontline staff, opened additional branches (17 in Indonesia, 9 in China, 5 in Malaysia and 3 in Taiwan) and enhanced our delivery channels. China expenses were up 20 per cent at $274 million. Other APR working profit was up $156 million, or 66 per cent, to $393 million. Loan impairment was significantly down by $118 million, or 49 per cent, to $122 million, particularly in Taiwan and Thailand as actions taken to de-risk the portfolios coupled with enhanced collection efforts and asset sales took effect. Other APR delivered an operating profit of $270 million as compared to a loss of $5 million in 2009. Taiwan, with an operating profit of $182 million (2009 – operating loss of $61 million) and Malaysia, with an operating profit of $88 million (2009 - $71 million of operating profits) were significant contributors. The operating loss in China was $78 million, up from $60 million in 2009, as we continued to invest.

India

Income was up $49 million, or 11 per cent, to $493 million. On a constant currency basis, income was higher by 5 per cent driven by growth in SME specifically Mortgages. Improved investor demand resulted in an increase in fee income from sale of unit trusts. This was largely offset by lower margins on deposits with interest rates being impacted by change in regulations. Operating expenses were $88 million, or 35 per cent higher at $336 million. On a constant currency basis, expenses were higher by 28 per cent. 2009 included a service tax rebate, adjusting for which the increase was driven by additional front office staff and enhancement of infrastructure, including adding 79 Express Banking Centres. Working profit was down $39 million, or 20 per cent, to $157 million. On a constant currency basis, the drop in working profit was 24 per cent. Loan impairment was however significantly lower by $91 million, or 62 per cent, at $56 million and was driven by the de-risking of the portfolio in the latter half of 2009 and early part of 2010. Operating profit was consequently higher by $47 million, or 87 per cent, at $101 million. On a constant currency basis, operating profit was 83 per cent higher.

Middle East and Other South Asia (MESA)

Income was marginally up $13 million, or 2 per cent to $691 million driven by the increase in UAE which helped offset the fall in Pakistan where our appetite for customer lending continued to be selective and impacted by margin compression. UAE income grew 4 per cent helped by a stronger Wealth Management performance, which helped offset the rundown of the high-yield personal loan portfolio. Operating expenses in MESA were higher by $63 million, or 16 per cent, at $458 million. UAE expenses were up by $29 million or 17 per cent driven by investment in frontline staff and realignment of distribution channels. Pakistan expenses were higher by $5million or 5 per cent. Working profit for MESA was down $50 million, or 18 per cent, to $233 million. Loan impairment was considerably lower at $159 million, 44 per cent down on $285 million in 2009. Whilst the decrease was primarily in UAE and Pakistan, most markets benefitted from the improvement in the economic outlook and the de-risking of the portfolios. Consequently, MESA delivered an operating profit of $74 million, compared to an operating loss of $2 million in 2009.

Africa

Income was up $30 million, or 9 per cent, at $381 million with strong momentum in Personal Loans and SME. Deposit margins continued to be under pressure but were partially offset by higher customer balances. Nigeria and Kenya drove income growth, benefitting from increased balances across both deposits and advances. Operating expenses were $25 million or 11 per cent higher at $254 million, driven by higher staff costs and investments to strengthen the distribution network. Working profit in Africa was higher by $5 million or 4 per cent, at $127 million. Loan impairment was down $9 million, or 32 per cent, to $19 million. Operating profit was up $9 million, or 10 per cent, to $103 million.

Americas, UK & Europe

Income fell $27 million or 17 per cent from $161 million to $134 million. The business in this region is primarily Private Banking and liability driven. It continued to be adversely impacted by low investor confidence and low interest rates continued to impact liability margins. Operating expenses fell $48 million, or 25 per cent, through continued focus on cost management and the transformation of the Miami branch to an advisory centre. Impairment was considerably lower by $24 million, or 83 per cent. The operating loss consequently reduced from $65 million to $14 million.

Wholesale Banking

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

2010

	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	Wholesale Banking Total $million
Operating income	**1,384**	**1,010**	**640**	**1,687**	**1,531**	**1,476**	**865**	**1,386**	**9,979**
Operating expenses	**(634)**	**(602)**	**(283)**	**(885)**	**(413)**	**(537)**	**(399)**	**(1,087)**	**(4,840)**
Loan impairment	**2**	**-**	**(87)**	**(30)**	**(23)**	**(143)**	**(5)**	**(19)**	**(305)**
Other impairment	**1**	**(1)**	**-**	**(1)**	**(3)**	**(29)**	**(5)**	**(26)**	**(64)**
Operating profit	**753**	**407**	**270**	**771**	**1,092**	**767**	**456**	**254**	**4,770**

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	Wholesale Banking Total $million
Operating income	1,288	957	559	1,605	1,369	1,400	738	1,375	9,291
Operating expenses	(564)	(504)	(252)	(732)	(323)	(496)	(324)	(990)	(4,185)
Loan impairment	(41)	(3)	(93)	(155)	(54)	(526)	(26)	(50)	(948)
Other impairment	5	(40)	-	28	14	(10)	-	(79)	(82)
Operating profit	688	410	214	746	1,006	368	388	256	4,076

Income by product is set out below:

Operating income by product	2010 $million	2009 $million	2010 vs 2009 Better / (worse) %
Lending and Portfolio Management	**868**	849	2
Transaction Banking			
Trade	**1,467**	1,289	14
Cash Management and Custody	**1,303**	1,248	4
	2,770	2,537	9
Global Markets[1]			
Financial Markets	**3,303**	3,311	-
Asset and Liability Management ('ALM')	**912**	963	(5)
Corporate Finance	**1,710**	1,294	32
Principal Finance	**416**	337	23
	6,341	5,905	7
Total operating income	**9,979**	9,291	7

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

Financial Markets operating income by desk	2010 $million	2009 $million	2010 vs 2009 Better / (worse) %
Foreign Exchange	**1,200**	1,349	(11)
Rates	**837**	879	(5)
Commodities and Equities	**411**	389	6
Capital Markets	**541**	409	32
Credit and Other	**314**	285	10
Total Financial Markets operating income	**3,303**	3,311	-

Wholesale Banking has had another strong year, continuing to strengthen relationships with existing clients and diversifying income growth using our network capabilities as a source of differentiation. Client income, which remains the cornerstone of our strategy at around 80 per cent of total income, was up 17 per cent on the previous year and helped offset declining own account income. Operating income grew $688 million, or 7 per cent, to $9,979 million. Net interest income was up $624 million, or 16 per cent, to $4,432 million while non-interest income grew marginally by $64 million to $5,547 million.

As in prior years, commercial banking, which includes Cash, Trade, Lending and flow foreign exchange business, contributed the majority of client income. Corporate Finance had another excellent year delivering a 32 per cent increase in income with a continuing stream of deals across Asia and Africa. The Capital Markets business also grew strongly with income growth of 32 per cent. This helped offset the steep fall in own account resulting in flat income growth for Financial Markets overall. The year on year fall in own account income was in part a consequence of the exceptional performance witnessed in the first half of 2009. Market conditions in the current year were less favourable with reduced volatility and increased competition resulting in narrower spreads. Asset and Liability Management (ALM), also saw re-investment of its maturing positions at lower yields.

Operating expenses grew $655 million, or 16 per cent, to $4,840 million. The increase in expenses was primarily on account of staff costs as a consequence of increased hires in the second half of 2009. In addition to flow through impact, the business continued to invest in new businesses such as equities. The moderation in own account income in the current year magnifies the negative jaws of 9 per cent. Expense growth over a two year period is exceeded by income growth by 2 per cent as the volatility in own account income is normalised.

Loan impairment fell significantly by $643 million to $305 million as economic conditions continued to improve. Whilst a significant portion of the impairment in 2009 arose in MESA, other markets such as Korea, India and Other APR were also impacted. Current year provisioning was largely concentrated in a few specific problem accounts. The portfolio continues to be well diversified and well collateralised.

Other impairment was lower by $18 million, or 22 per cent, at $64 million. This primarily represents impairment on our ABS and private equity portfolio. As markets improved, it enabled realisation of profits on disposal.

Operating profit increased $694 million, or 17 per cent, to $4,770 million.

Product performance

Lending and Portfolio Management income increased marginally by $19 million, or 2 per cent, to $868 million with an increase in lending balances and related fees offset by margin pressure. Whilst the first half saw improved margins through re-pricing, the latter half has seen a softening of margins with year on year margins down 4 bps.

Income from Trade grew 14 per cent with higher assets and contingents of 28 per cent partially offset by a 37 bps reduction in margins. Cash and Custody income also continued to be impacted by margin compression but continued success in winning new mandates and the resultant growth in average balances of 21 per cent enabled the business to end the year with a 4 per cent increase in income.

Global Markets income increased by $436 million, or 7 per cent, to $6,341 million.

Within Global Markets, the Financial Markets (FM) business, despite flat income growth, continued to be the largest contributor. The FM business primarily comprises sales and trading of exchange and interest rate products and has over the past couple of years seen diversification of income streams with higher contributions from commodity, equity and credit derivatives. FM sales and trading income was adversely impacted by spread compression, increased competition and less volatile markets through most of the year.

ALM income was $51 million, or 5 per cent, lower at $912 million. Positions put on at the end of 2008 and early 2009 captured both high fixed interest rates and wide credit spreads. Re-investment of maturing positions in the early part of 2010 was at lower yields in a low interest rate environment. Accruals have continued to be lower with money market curves being flat, especially in the United States and Hong Kong.

Corporate Finance income was up $416 million or 32 per cent to $1,710 million with strong income growth across all products. Much of the growth was in corporate advisory driven by a number of deals originating across our key markets in Asia and Africa and supported through our global hubs in UK and Singapore.

Principal Finance income was up $79 million or 23 per cent higher at $416 million and benefitted from investments as Asian market prices rose resulting in valuation gains and gains on disposal.

Geographic performance

Hong Kong

Income was up $96 million, or 7 per cent, to $1,384 million. This was largely driven by client income, which grew 19 per cent. Growth was broad based and seen across FM sales, Capital Markets, Lending and Trade. While Capital Markets saw good pick up in bonds, Lending and Trade saw significant asset and volume growth that helped offset margin compression. This helped minimise the fall in ALM, which was impacted by low reinvestment yield. Operating expenses grew $70 million, or 12 per cent, to $634 million on account of higher staff costs coupled with increase in infrastructure spends. Working profit was up $26 million, or 4 per cent, to $750 million. Loan impairment was lower by $43 million compared to the previous year reflecting our proactive risk management processes and ongoing refinement of underwriting standards. Operating profit was up $65 million, or 9 per cent, at $753 million.

Singapore

Income grew $53 million, or 6 per cent, to $1,010 million driven by client income, which grew 17 per cent benefitting from increased trade finance, higher number of corporate finance deals and increased cross border business. Own account was however, impacted by decreased market volatility and tighter margins and fell 32 per cent. Operating expenses grew $98 million, or 19 per cent, to $602 million. Staff costs constituted the majority of the increase and were driven by the full year impact from the previous year investment in specialist teams in areas such as commodities, options and interest rate derivatives. Much of the increase in headcount was reflective of Singapore being a regional hub for the business. Premises costs also increased as the business moved to new and larger premises to support the increased headcount and business volumes with resultant costs related to fit out and maintenance. Working profit fell $45 million or 10 per cent, to $408 million. Other impairment of $1 million represents provisions made against private equity investments, significantly lower than the previous year amount of $40 million. Operating profit was marginally lower by $3 million, or 1 per cent, at $407 million.

Korea

Income grew $81 million or 14 per cent to $640 million. On a constant currency basis, income was 3 per cent higher primarily due to a gain on private equity disposals. Trade and Cash suffered from margin compression in a liquidity surplus environment but this was countered through higher ALM income by the proactive management of the structural gap in a more favourable interest rate environment. Excluding the private equity gain booked in the second half, own account income fell as a stable market and increasing competition drove margins down.

Operating expenses were higher by $31 million, or 12 per cent, at $283 million. On a constant currency basis, expenses rose 1 per cent, driven by flow through from previous year investments in infrastructure expansion and costs related to starting the securities business. Working profit was higher by $50 million, or 16 per cent, at $357 million. On a constant currency basis, working profit rose 5 per cent. Loan impairment was marginally lower at $87 million as compared to $93 million and primarily related to ship building exposures provided in the first half of 2010. Operating profit was higher by $56 million, or 26 per cent, at $270 million. On a constant currency basis, operating profit rose 13 per cent.

Other Asia Pacific (Other APR)

Income was up $82 million, or 5 per cent, at $1,687 million and was primarily driven by an increase in client income and growth in FM sales. Income from Lending and Trade helped offset the fall in own account income. Income in China fell 11 per cent to $503 million as client income growth of 52 per cent was more than offset by a decline in own account income and the non-recurrence of private equity gains seen in 2009. Income in Taiwan fell 13 per cent to $118 million despite client income growth of 5 per cent, which was more than offset by a fall in own account income. Trade performed particularly well as we leveraged on the Mainland China-Taiwan trade flows. Malaysia income was up 12 per cent to $272 million as business sentiment improved and client income benefitted through higher balances in Lending and Trade. Indonesia and Philippines delivered a healthy income growth driven by Corporate Finance. Operating expenses in Other APR were up $153 million, or 21 per cent, to $885 million. Expenses were driven higher by staff and premises expenses and flow through from prior year investments. China operating expenses were up 33 per cent to $335 million. Working profit in Other APR was lower by 8 per cent at $802 million. Loan impairment was significantly lower by $125million from $155 million in 2009, driven by an improving economic environment. Other impairment is negligible in the current year and had recoveries amounting to $28 million in 2009 related to private equity sales. Operating profit was $25 million, or 3 per cent, higher at $771 million. China delivered an operating profit of $165 million and Taiwan contributed $56 million. Indonesia and Malaysia were the other key profit contributors in this region.

India

Income grew $162 million, or 12 per cent, to $1,531 million led by Capital Markets and Cash Management, the latter benefitting from significant average balance growth that more than offset margin compression. Corporate advisory continued to perform well by leveraging cross border financing and deal structuring capabilities. Operating expenses were up $90 million, or 28 per cent, at $413 million. On a constant currency basis, expenses were higher by 20 per cent largely driven by staff and premises related costs, inflationary pressures and investments, which related to the set up of the equities business. Working profit was up $72 million, or 7 per cent, at $1,118 million. Loan impairment decreased $31 million, or 57 per cent, at $23 million as the economic environment improved. Operating profit was up $86 million, or 9 per cent, to $1,092 million.

Middle East and Other South Asia (MESA)

Income was up $76 million, or 5 per cent, to $1,476 million with increase in client income helping offset a fall in own account income. Client income growth was broad based with Lending, Trade and corporate advisory reflecting increased balances and steady margins and Islamic banking continuing to be a focus area. UAE led income growth with an overall increase of 11 per cent. Oman and Bangladesh grew income by 58 and 26 per cent, respectively driven by lending growth and re-pricing. Bahrain saw a drop in income as credit appetite in the region reduced. Islamic banking, however, continues to be a significant source of income. Despite business sentiment continuing to be impacted by political and economic uncertainty, Pakistan registered 12 per cent growth. MESA operating expenses were up $41 million, or 8 per cent, to $537 million reflecting staff and investment expenditure. MESA working profit was up $35 million, or 4 per cent, to $939 million. Loan impairment was driven by a small number of specific provisions. The current year charge ended at $143 million, down 73 per cent. We continue to hold additional portfolio provision coverage against uncertainties in the region. Operating profit more than doubled to end at $767 million.

Africa

Income was up $127 million, or 17 per cent, to $865 million, driven by strong Corporate Finance performance. Trade and Lending income increased on higher balances benefitting from Asia trade flows coupled with re-pricing. This increase helped offset drop in Cash income where higher average balances could only partially make up for margin compression. Corporate Finance benefitted from landmark deals as we continued to deepen client relationships. Ghana and Zambia led the way with strong contribution from Trade, ALM and Rates trading. Nigeria, Kenya and Uganda grew on the back of higher Lending and Trade balances partly offset by the decline in Cash due to margin compression. Operating expenses were up $75 million, or 23 per cent, to $399 million, reflecting investments in people and infrastructure. Working profit was up $52 million, or 13 per cent, to $466 million. Loan impairment remained low at $5 million. Operating profit was up $68 million, or 18 per cent, to $456 million.

Americas, UK & Europe

This region continues to originate and support our clients' cross border business within our footprint countries. Income was marginally higher with a 31 per cent growth in client income helping offset a fall in own account income. Lending, Trade and Cash saw balance increases, countering margin compression in Cash income. The fixed income business was impacted by narrowing of spreads and increased competition. ALM accruals were adversely impacted by redeployment of maturities in a low interest rate environment. Operating expenses were higher by $97 million, driven by increases in staff and regulatory costs. Working profit fell $86 million, or 22 per cent. Impairment was lower by $31 million or 62 per cent. Other impairment was lower by $53 million or 67 per cent, at $26 million. Operating profit remained stable at $254 million.

Acquisitions

On 12 April 2010, the Group acquired 100 per cent of the consumer finance business of GE Capital (Hong Kong) Limited, a Hong Kong (restricted licence) banking company. On 2 August 2010, the Group acquired 100 per cent of the consumer finance business of GE Commercial Financing (Singapore) Limited.

On 1 October 2010, the Company purchased the remaining 25.1 per cent interest in Standard Chartered STCI Capital Markets (STCI). By virtue of this transaction, STCI became a subsidiary of the Group.

Between 31 October 2010 and 5 December 2010, the Group acquired the custody business of Barclays Bank plc across various locations in Africa.

The effects of the above acquisitions were not material to the Group's 2010 performance.

Group Summary Consolidated Balance Sheet

	2010 $million	2009 $million	Increase/ (decrease) $million	Increase/ (decrease) %
Assets				
Lending and investments				
Cash and balances at central banks	**32,724**	18,131	14,593	80
Loans and advances to banks	**52,058**	50,885	1,173	2
Loans and advances to customers	**240,358**	198,292	42,066	21
Investment securities held at amortised cost	**4,829**	6,688	(1,859)	(28)
	329,969	273,996	55,973	20
Assets held at fair value				
Available-for-sale investment securities	**70,967**	69,040	1,927	3
Financial assets held at fair value through profit or loss	**27,021**	22,446	4,575	20
Derivative financial instruments	**47,859**	38,193	9,666	25
	145,847	129,679	16,168	12
Other assets	**40,726**	32,978	7,748	23
Total assets	**516,542**	436,653	79,889	18
Liabilities				
Deposits and debt securities in issue				
Deposits by banks	**28,551**	38,461	(9,910)	(26)
Customer accounts	**306,992**	251,244	55,748	22
Debt securities in issue	**31,381**	29,272	2,109	7
	366,924	318,977	47,947	15
Liabilities held at fair value				
Financial liabilities held at fair value through profit or loss	**20,288**	14,505	5,783	40
Derivative financial instruments	**47,133**	36,584	10,549	29
	67,421	51,089	16,332	32
Subordinated liabilities and other borrowed funds	**15,939**	16,730	(791)	(5)
Other liabilities	**27,393**	21,937	5,456	25
Total liabilities	**477,677**	408,733	68,944	17
Equity	**38,865**	27,920	10,945	39
Total liabilities and shareholders' funds	**516,542**	436,653	79,889	18

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.

Maturity analysis

Approximately half of our loans and advances to customers are short-term having a contractual maturity of one year or less. The Wholesale Banking portfolio remains predominantly short-term, with 67 per cent of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 60 per cent of the portfolio is in the mortgage book, which is traditionally longer term in nature and well secured. Whilst the Other and SME loans in Consumer Banking have short contractual maturities, typically they may be renewed and repaid over longer terms in the normal course of business.

The following tables show the contractual maturity of loans and advances to customers by each principal category of borrowers' business or industry.

	2010			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Loans to individuals				
Mortgages	**2,871**	**8,947**	**58,844**	**70,662**
Other	**18,019**	**8,303**	**2,591**	**28,913**
Small and medium enterprises	**9,464**	**3,369**	**4,742**	**17,575**
Consumer Banking	**30,354**	**20,619**	**66,177**	**117,150**
Agriculture, forestry and fishing	**3,108**	**662**	**107**	**3,877**
Construction	**1,721**	**692**	**41**	**2,454**
Commerce	**22,605**	**3,667**	**275**	**26,547**
Electricity, gas and water	**1,486**	**907**	**1,267**	**3,660**
Financing, insurance and business services	**16,493**	**6,846**	**151**	**23,490**
Governments	**3,155**	**1,230**	**68**	**4,453**
Mining and quarrying	**4,610**	**2,818**	**1,659**	**9,087**
Manufacturing	**22,507**	**8,495**	**1,311**	**32,313**
Commercial real estate	**4,440**	**4,615**	**333**	**9,388**
Transport, storage and communication	**6,195**	**4,655**	**2,306**	**13,156**
Other	**1,276**	**242**	**71**	**1,589**
Wholesale Banking	**87,596**	**34,829**	**7,589**	**130,014**
Portfolio impairment provision				**(760)**
Total loans and advances to customers				**246,404**

	2009			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Loans to individuals				
Mortgages	2,455	7,818	47,364	57,637
Other	14,266	7,158	2,222	23,646
Small and medium enterprises	7,110	3,054	3,136	13,300
Consumer Banking	23,831	18,030	52,722	94,583
Agriculture, forestry and fishing	1,515	348	78	1,941
Construction	1,921	482	120	2,523
Commerce	19,981	2,919	139	23,039
Electricity, gas and water	1,056	825	1,457	3,338
Financing, insurance and business services	15,282	6,484	45	21,811
Governments	4,754	398	65	5,217
Mining and quarrying	3,296	1,531	1,582	6,409
Manufacturing	18,979	5,286	1,307	25,572
Commercial real estate	3,325	3,523	160	7,008
Transport, storage and communication	3,665	4,312	1,469	9,446
Other	1,369	268	153	1,790
Wholesale Banking	75,143	26,376	6,575	108,094
Portfolio impairment provision				(874)
Total loans and advances to customers				201,803

Problem credit management and provisioning

Consumer Banking

In Consumer Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. A loan is considered delinquent ("past due") when the counterparty has failed to make a principal or interest payment when contractually due. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. For delinquency reporting purposes we follow industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due. Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collections processes.

A non performing loan is any loan that is more than 90 days past due or is otherwise individually impaired, and excludes:

- loans renegotiated before 90 days past due and on which no default in interest payments or loss of principal is expected; and
- loans 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.

Individually impaired loans are those loans against which individual impairment provisions (IIP) have been raised.

Provisioning within Consumer Banking reflects the fact that the product portfolios (excluding medium enterprises among SME customers and private banking customers) consist of a large number of comparatively small exposures. Mortgages are assessed for individual impairment on an account by account basis, but for other products it is impractical to monitor each delinquent loan individually and individual impairment is therefore assessed collectively.

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

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

Individually impaired loans for Consumer Banking will therefore not equate to those reported as non-performing on page 33, because non-performing loans include all those over 90 days past due. This difference reflects the fact that, while experience shows that an element of delinquent loans are impaired it is not possible to identify which individual loans the impairment relates to until the delinquency is sufficiently prolonged that loss is almost certain, which, in the Group's experience, is generally around 150 days in Consumer Banking. Up to that point the inherent impairment is captured by portfolio impairment provisions (PIP).

The PIP methodology provides for accounts for which an individual impairment provision has not been raised, either individually or collectively. PIP is raised on a portfolio basis for all products, and is set using expected loss rates, based on past experiences supplemented by an assessment of specific factors affecting the relevant portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as delinquency trends and early alert trends. The methodology applies a larger provision against accounts that are delinquent but not yet considered impaired.

The procedures for managing problem credits for the Private Bank and the medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 34).

Consumer Banking has seen improvements in the level of non-performing loans in 2010, particularly in Taiwan, Korea, and Hong Kong due to strengthening macroeconomic conditions in those markets, as well as de-risking actions taken and intensified collections activities. This has been partially offset by an increase in the Middle East.

The cover ratio is a common metric used in considering trends in provisioning and non-performing loans. It should be noted, however, that, as explained above, a significant proportion of the PIP is intended to reflect losses inherent in the loan portfolio that is less than 90 days delinquent and hence recorded as performing. This metric should be considered in conjunction with other credit risk and collateral information including that contained in page 39.

The total net impairment charge in Consumer Banking in 2010 improved by $474 million, or 45 per cent, over 31 December 2009. The lower individual impairment in 2010 compared to 2009 is visible across all of our major markets, particularly in India, Hong Kong, and Other Asia Pacific.

There was a portfolio impairment release of $85 million in 2010 (compared to a charge of $54 million in 2009) as a direct result of the improvement in portfolio performance indicators as macroeconomic conditions strengthened in our markets.

The following tables set out the total non-performing loans for Consumer Banking:

2010	Asia Pacific: Hong Kong $million	Asia Pacific: Singapore $million	Asia Pacific: Korea $million	Asia Pacific: Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances									
Gross non-performing	50	47	145	395	76	342	29	89	1,173
Individual impairment provision	(20)	(20)	(57)	(160)	(32)	(141)	(16)	(60)	(506)
Non-performing loans net of individual impairment provision	30	27	88	235	44	201	13	29	667
Portfolio impairment provision									(451)
Net non-performing loans and advances									216
Cover ratio									82%

2009	Asia Pacific: Hong Kong $million	Asia Pacific: Singapore $million	Asia Pacific: Korea $million	Asia Pacific: Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances									
Gross non-performing	80	47	190	482	65	263	28	97	1,252
Individual impairment provision	(64)	(20)	(63)	(212)	(17)	(91)	(10)	(61)	(538)
Non-performing loans net of individual impairment provision	16	27	127	270	48	172	18	36	714
Portfolio impairment provision									(519)
Net non-performing loans and advances									195
Cover ratio									84%

The tables below set out the net impairment charge by geography:

2010	Asia Pacific: Hong Kong $million	Asia Pacific: Singapore $million	Asia Pacific: Korea $million	Asia Pacific: Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	76	57	171	299	119	237	31	11	1,001
Recoveries/provisions no longer required	(29)	(19)	(29)	(166)	(33)	(45)	(12)	(5)	(338)
Net individual impairment charge	47	38	142	133	86	192	19	6	663
Portfolio impairment provision credit									(85)
Net impairment charge									578

2009	Asia Pacific: Hong Kong $million	Asia Pacific: Singapore $million	Asia Pacific: Korea $million	Asia Pacific: Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	139	64	200	424	163	256	31	33	1,310
Recoveries/provisions no longer required	(38)	(20)	(21)	(150)	(26)	(39)	(11)	(7)	(312)
Net individual impairment charge	101	44	179	274	137	217	20	26	998
Portfolio impairment provision charge									54
Net impairment charge									1,052

Wholesale Banking

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

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, we attempt to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

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

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

Gross non-performing loans in Wholesale Banking have increased by $698 million, or 25 per cent, since December 2009. This is largely due to the downgrade of three significant accounts which are under restructuring within the MESA region. Excluding the MESA region gross non-performing loans have reduced by 8 per cent since December 2009. The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions. The cover ratio decreased from 65 per cent as at 31 December 2009 to 50 per cent as at 31 December 2010 largely as a result of the downgrade of the three accounts referred to above. The balance uncovered by individual impairment provisions represents the value of collateral held and the Group's estimate of the net outcome of any work-out strategy.

The total net individual impairment charge of $350 million in 2010 was significantly lower than the charge in 2009 ($806 million) reflecting the improved credit environment.

The PIP balance has reduced by $46 million since December 2009. This is partly contributed by improving portfolio quality indicators and macro-economic conditions, and partly by a better visibility around areas of concern in the MESA region, which resulted in the release of some of the additional portfolio impairment provision created in 2009.

The following tables set out the total non-performing loans for Wholesale Banking:

	2010								
	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 and advances									
Gross non-performing	**111**	**21**	**305**	**817**	**272**	**1,707**	**103**	**122**	**3,458**
Individual impairment provision	**(82)**	**(5)**	**(136)**	**(347)**	**(80)**	**(641)**	**(44)**	**(76)**	**(1,411)**
Non-performing loans net of individual impairment provision	**29**	**16**	**169**	**470**	**192**	**1,066**	**59**	**46**	**2,047**
Portfolio impairment provision									**(311)**
Net non-performing loans and advances									**1,736**
Cover ratio									**50%**

	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 and advances									
Gross non-performing	207	10	352	780	207	855	160	189	2,760
Individual impairment provision	(117)	(7)	(204)	(408)	(74)	(469)	(53)	(115)	(1,447)
Non-performing loans net of individual impairment provision	90	3	148	372	133	386	107	74	1,313
Portfolio impairment provision									(357)
Net non-performing loans and advances									956
Cover ratio									65%

The tables below set out the net impairment charge by geography:

	2010								
	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
Gross impairment charge	12	-	92	55	26	199	14	30	428
Recoveries/provisions no longer required	(14)	-	(7)	(23)	(8)	(7)	(4)	(15)	(78)
Net individual impairment (credit)/charge	(2)	-	85	32	18	192	10	15	350
Portfolio impairment provision credit									(45)
Net impairment charge									305

	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
Gross impairment charge	52	3	111	194	55	394	15	58	882
Recoveries/provisions no longer required	(8)	(5)	(18)	(23)	(6)	(6)	(3)	(7)	(76)
Net individual impairment charge/(credit)	44	(2)	93	171	49	388	12	51	806
Portfolio impairment provision charge									142
Net impairment charge									948

Impairment provisions on loans and advances:

The following table sets out the impairment provision on loans and advances as at 31 December by each principal category of borrowers business or industry

	2010 $million	2009 $million
Loans to individuals		
Mortgages	**128**	107
Other	**180**	201
Small and medium enterprises	**198**	230
Consumer Banking	**506**	538
Agriculture, forestry and fishing	**42**	59
Construction	**57**	36
Commerce	**467**	425
Electricity, gas and water	**7**	7
Financing, insurance and business services	**120**	130
Mining and quarrying	**1**	6
Manufacturing	**558**	590
Commercial real estate	**23**	13
Transport, storage and communication	**23**	24
Other	**20**	25
Wholesale Banking	**1,318**	1,315
Individual impairment provision against loans and advances to customers	**1,824**	1,853
Individual impairment provision against loans and advances to banks	**93**	132
Portfolio impairment provision	**762**	876
Total impairment provisions on loans and advances	**2,679**	2,861

The following table sets out the movements in individual and portfolio impairment provisions :

	2010			2009		
	Individual Impairment Provisions $million	Portfolio Impairment Provisions $million	Total $million	Individual Impairment Provisions $million	Portfolio Impairment Provisions $million	Total $million
At 1 January	**1,985**	**876**	**2,861**	1,324	657	1,981
Exchange translation differences	**36**	**16**	**52**	49	21	70
Amounts written off	**(1,252)**	**-**	**(1,252)**	(1,329)	(3)	(1,332)
Recoveries of acquisition fair values	**(27)**	**-**	**(27)**	(40)	1	(39)
Recoveries of amounts previously written off	**236**	**-**	**236**	193	(2)	191
Discount unwind	**(62)**	**-**	**(62)**	(59)	1	(58)
Other	**(1)**	**-**	**(1)**	48	5	53
New provisions	**1,418**	**110**	**1,528**	2,187	426	2,613
Recoveries/provisions no longer required	**(416)**	**(240)**	**(656)**	(388)	(230)	(618)
Net charge/(release) against profit	**1,002**	**(130)**	**872**	1,799	196	1,995
Provisions held at 31 December	**1,917**	**762**	**2,679**	1,985	876	2,861

The following tables set out the movements in our total individual impairment provision by geography against loans and advances:

	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
Provisions held at 1 January 2010	181	27	267	620	91	560	63	176	1,985
Exchange translation differences	-	2	5	28	3	(4)	(2)	4	36
Amounts written off	(151)	(55)	(297)	(391)	(99)	(165)	(27)	(67)	(1,252)
Recoveries of acquisition fair values	-	-	(8)	(16)	-	(3)	-	-	(27)
Recoveries of amounts previously written off	30	13	16	128	19	26	-	4	236
Discount unwind	(3)	-	(13)	(18)	(7)	(17)	(1)	(3)	(62)
Other	-	-	-	(5)	(1)	1	-	4	(1)
New provisions	88	57	259	350	147	436	43	38	1,418
Recoveries/provisions no longer required	(43)	(19)	(36)	(189)	(41)	(52)	(16)	(20)	(416)
Net charge against profit	45	38	223	161	106	384	27	18	1,002
Provisions held at 31 December 2010	102	25	193	507	112	782	60	136	1,917

	2009								
	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
Provisions held at 1 January 2009	164	20	154	605	44	170	54	113	1,324
Exchange translation differences	-	-	21	26	4	(6)	3	1	49
Amounts written off	(154)	(50)	(215)	(501)	(162)	(218)	(24)	(5)	(1,329)
Recoveries of acquisition fair values	-	-	(7)	(29)	-	(4)	-	-	(40)
Recoveries of amounts previously written off	32	14	6	100	19	19	-	3	193
Discount unwind	(6)	(1)	(13)	(27)	(2)	(6)	(2)	(2)	(59)
Other	-	-	49	1	2	(1)	-	(3)	48
New provisions	191	69	311	618	218	651	46	83	2,187
Recoveries/provisions no longer required	(46)	(25)	(39)	(173)	(32)	(45)	(14)	(14)	(388)
Net charge against profit	145	44	272	445	186	606	32	69	1,799
Provisions held at 31 December 2009	181	27	267	620	91	560	63	176	1,985

Analysis of the loan portfolio

The table on page 39 sets out an analysis of the loan portfolio between those loans that are neither past due nor impaired, those that are past due but not individually impaired and those that are individually impaired.

Collateral held against past due and impaired loans in Consumer Banking largely comprises residential and commercial property and in Wholesale Banking largely comprises property and securities. Where the fair value of collateral held exceeds the outstanding loan, any excess is paid back to customers in the event of its realisation and is not available for offset against other loans.

Renegotiated loans that would otherwise be past due or impaired if their terms had not been renegotiated were $1,750 million (2009: $2,084 million), $587 million (2009: $687 million) of which related to Consumer Banking loans to customers and $1,163 million (2009: $1,397 million) of which related to Wholesale banking loans to customers. Loans whose terms have been renegotiated to include concessions that the Group would not ordinarily make will usually be impaired.

Loans that were more than 90 days past due, and consequently reported as non-performing before renegotiation, continue to be reported as non-performing until a minimum number of payments have been received under the new terms. Where loans that are past due have been renegotiated, such loans are no longer considered to be past due immediately after renegotiation.

In Wholesale Banking and SME Discretionary Lending and Private Banking, renegotiated loans continue to be managed by GSAM until considered to be performing and no longer a problem account. Provisions are taken on a case by case basis if further problems arise. In other parts of Consumer Banking all renegotiated loans are managed within a separate portfolio, and if such loans subsequently become past due, write off and IIP is accelerated to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively. The accelerated loss rates applied to this portfolio are derived from experience with other renegotiated loans, rather than the Consumer banking portfolio as a whole, to recognise the greater degree of Inherent risk.

Although total loans to banks have increased by only $0.3 billion between December 2009 and December 2010, there has been a shift in the credit grade distribution between the credit grade 1-5 category and credit grade 6-8 category. Loans to banks in the credit grade 1-5 category has decreased as exposure has deliberately been shifted from the interbank market to highly rated sovereign counterparties. Exposure in the credit grade 6-8 category has increased due to an increase in trade finance business with financial institutions in our core markets.

In the Wholesale Banking corporate portfolio, the negative credit grade migration observed during 2009 largely stabilised in 2010, in line with improving macroeconomic conditions across our footprint. This is also reflected in a sustained reduction in the number of accounts on Early Alert since the end of 2009.

During 2010 total loans to Wholesale Banking customers increased by $21.9 billion, or 20 per cent. As at 31 December 2010 only 2.9 per cent of the loans are either past due or individually impaired, a slight increase on 2009. The increase in loans has been driven equally by increases in lending, trade finance and corporate finance. The increased exposure in the credit grade 6-8 category is largely a consequence of increased activities in corporate finance, acquisition finance and syndicated lending, as Wholesale Banking deepens relationships with corporate clients in our key markets. The level of collateral taken against customers in this credit grade category range is generally higher than for customers in the credit grade 1-5 category.

Consumer Banking loans to customers increased by $22.6 billion since 31 December 2009, with nearly 60 per cent of this growth being in the mortgage portfolio, which is well collateralised and has an average loan to value ratio of 51 per cent. Portfolio quality indicators have improved across all of our major markets and products during the year. The proportion of past due or individually impaired loans has decreased as a result of improving economic conditions in our footprint markets.

	2010				2009			
	Loans to banks	Loans to customers – Wholesale Banking	Loans to customers – Consumer Banking	Total loans to customers	Loans to banks	Loans to customers – Wholesale Banking	Loans to customers – Consumer Banking	Total loans to customers
	$million	$million	$million	$million	$million	$million	$million	$million
Neither past due nor individually impaired loans								
- Grades 1-5	42,979	48,518	54,603	103,121	46,534	43,811	44,158	87,969
- Grades 6-8	9,263	55,577	35,521	91,098	5,485	38,375	21,570	59,945
- Grades 9-11	843	21,914	21,219	43,133	730	22,177	22,728	44,905
- Grade 12	19	1,564	1,983	3,547	30	2,034	2,246	4,280
	53,104	127,573	113,326	240,899	52,779	106,397	90,702	197,099
Past due but not individually impaired loans								
- Up to 30 days past due	5	223	2,587	2,810	2	369	2,522	2,891
- 31 - 60 days past due	1	190	412	602	-	98	406	504
- 61 - 90 days past due	-	137	223	360	-	71	239	310
- 91 - 150 days past due	-	-	181	181	-	-	222	222
	6	550	3,403	3,953	2	538	3,389	3,927
Individually impaired loans	249	3,209	927	4,136	286	2,474	1,030	3,504
Individually impairment provisions	(93)	(1,318)	(506)	(1,824)	(132)	(1,315)	(538)	(1,853)
Net individually impaired loans	156	1,891	421	2,312	154	1,159	492	1,651
Total loans and advances	53,266	130,014	117,150	247,164	52,935	108,094	94,583	202,677
Portfolio impairment provision	(2)	(309)	(451)	(760)	(2)	(355)	(519)	(874)
	53,264	129,705	116,699	246,404	52,933	107,739	94,064	201,803
Of which, held at fair value through profit or loss:								
Neither past due nor individually impaired								
- Grades 1-5	295	1,174	-	1,174	1,192	2,092	-	2,092
- Grades 6-8	904	4,118	-	4,118	855	870	-	870
- Grades 9-11	7	586	-	586	1	549	-	549
- Grade 12	-	168	-	168	-	-	-	-
	1,206	6,046	-	6,046	2,048	3,511	-	3,511
Estimated fair value of collateral:								
Held against past due loans	-	268	2,244	2,512	-	458	1,980	2,438
Held against individually impaired loans	-	460	522	982	-	557	601	1,158

Collateral and other credit enhancements possessed or called upon

During the year, the Group obtained assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees), the carrying values of which are detailed in the table below. Repossessed properties are sold in an orderly fashion. Where the proceeds are in excess of the outstanding loan balance they are returned to the borrower. Certain equity securities acquired continue to be held by the Group for investment purposes and are classified as available-for-sale, and the related loan written off.

	2010			2009		
	Consumer Banking	Wholesale Banking	Total	Consumer Banking	Wholesale Banking	Total
	$million	$million	$million	$million	$million	$million
Property	67	-	67	135	7	142
Debt securities and equity shares	-	3	3	-	2	2
Guarantees	-	-	-	25	-	25
Other	2	-	2	91	42	133
	69	3	72	251	51	302

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

	2010			2009		
	Debt securities $million	Treasury bills $million	Total $million	Debt securities $million	Treasury bills $million	Total $million
Net impaired securities:						
Impaired securities	241	-	241	231	-	231
Impairment provisions	(180)	-	(180)	(191)	-	(191)
	61	-	61	40	-	40
Securities neither past due nor impaired:						
AAA	10,427	2,791	13,218	10,706	630	11,336
AA- to AA+	19,689	8,562	28,251	21,246	9,618	30,864
A- to A+	18,384	8,378	26,762	17,770	10,757	28,527
BBB- to BBB+	8,078	2,516	10,594	7,243	1,930	9,173
Lower than BBB-	2,947	1,361	4,308	2,422	1,193	3,615
Unrated	7,615	485	8,100	5,805	389	6,194
	67,140	24,093	91,233	65,192	24,517	89,709
	67,201	24,093	91,294	65,232	24,517	89,749
Of which:						
Held at fair value through profit or loss	11,817	6,198	18,015	10,111	5,559	15,670

The impaired debt securities largely includes the Group's holdings of asset backed securities, on which a $26 million (2009: $73 million) impairment charge was taken in 2010. There has been a marginal decrease in provisions on impaired securities since December 2009.

The above table also analyses debt securities and treasury bills which are neither past due nor impaired by external credit rating. The standard credit ratings used by the Group are those used by Standard & Poors or their equivalent. Debt securities held which have a short-term rating are reported against the long-term rating of the issuer. For securities which are unrated, the Group applies an internal credit rating as described on page 26.

Unrated securities primarily relate to corporate issues. Using internal credit ratings, $6,775 million (2009: $5,674 million) of these securities are considered to be equivalent to investment grade and $1,325 million (2009: $520 million) below investment grade.

Asset backed securities

Total exposures to asset backed securities

	31 December 2010				31 December 2009			
	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million
Residential Mortgage Backed Securities ('RMBS')								
- US Alt-A	**2%**	**64**	**32**	**25**	2%	74	42	31
- US Prime	**-**	**1**	**-**	**-**	-	1	-	-
- Other	**29%**	**779**	**740**	**715**	24%	819	767	708
Collateralised Debt Obligations ('CDOs')								
- Asset backed securities	**2%**	**65**	**10**	**10**	2%	77	13	10
- Other CDOs	**12%**	**310**	**268**	**261**	10%	353	285	273
Commercial Mortgage Backed Securities ('CMBS')								
- US CMBS	**5%**	**131**	**117**	**110**	4%	139	122	108
- Other	**22%**	**586**	**452**	**414**	19%	664	480	373
Other asset backed securities ('Other ABS')	**28%**	**737**	**690**	**697**	39%	1,315	1,227	1,204
	100%	**2,673**	**2,309**	**2,232**	100%	3,442	2,936	2,707
Of which included within:								
- Financial assets held at fair value through profit or loss	**3%**	**86**	**85**	**85**	3%	103	97	97
- Investment securities - available-for-sale	**27%**	**724**	**499**	**499**	26%	903	608	608
- Investment securities - loans and receivables	**70%**	**1,863**	**1,725**	**1,648**	71%	2,436	2,231	2,002
	100%	**2,673**	**2,309**	**2,232**	100%	3,442	2,936	2,707

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

The carrying value of Asset Backed Securities (ABS) represents 0.5 per cent (2009: 0.7 per cent) of our total assets.

The notional value of the ABS portfolio fell by approximately $769 million during 2010 due to natural redemptions in the portfolio and some asset sales. The difference between carrying value and fair value of the remaining portfolio is $77 million at 31 December 2010, benefiting from both the redemptions and a recovery in market prices in certain asset classes.

The credit quality of the asset backed securities portfolio remains strong. With the exception of those securities subject to an impairment charge, 80 per cent of the overall portfolio is rated A or better, and 30 per cent of the overall portfolio is rated as AAA. The portfolio is broadly diversified across asset classes and geographies, and there is no direct exposure to the US sub-prime market. The portfolio has an average credit grade of A+.

The Group reclassified some ABS from trading and available-for-sale to loans and receivables with effect from 1 July 2008. The securities were reclassified at their fair value on the date of reclassification. Note 11 on page 72 provides details of the remaining balance of those assets reclassified in 2008. No assets were reclassified in 2010 or 2009.

Writedowns of asset backed securities

	Available-for-sale $million	Loans and receivables $million	Total $million
31 December 2010			
Credit to available-for-sale reserves	**68**	**-**	**68**
Charge to the profit and loss account	**(22)**	**(4)**	**(26)**
31 December 2009			
Credit to available-for-sale reserves	26	-	26
Charge to the profit and loss account	(70)	(7)	(77)

Country cross-border risk

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

The GRC is responsible for our country cross-border risk limits and delegates the setting and management of country limits to the Group Country Risk function.

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

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

Our cross-border exposure to China, India and UAE has risen significantly over the past year, reflecting our focus and continued expansion in our core countries.

For China the increase was driven by both onshore and offshore loans to Chinese corporates and banks making increased use of more attractive foreign currency funding for their trading and business activities.

Increased cross-border exposure for India reflects growth in short term trade business and higher Corporate Finance activity. Cross-border exposure to the UAE has increased as we grew our core business with particular emphasis on the Abu Dhabi portfolio. In Qatar landmark government-related transactions significantly increased our exposure.

The decrease in our exposures to Korea reflects less demand for US dollar borrowings from Korean clients.

Cross-border exposure to countries in which we do not have a significant presence predominantly relates to short-dated money market activity, and some global corporate business. Such business is originated in our footprint countries with counterparties domiciled outside our footprint. This explains our significant exposure in the US and Switzerland as described in the table below.

The table below, which is based on our internal cross-border country risk reporting requirements, shows cross-border outstandings where they exceed one per cent of total assets.

	2010			2009		
	One year or less $million	Over one year $million	Total $million	One year or less $million	Over one year $million	Total $million
India	**13,117**	**12,706**	**25,823**	8,370	10,470	18,840
China	**12,623**	**7,131**	**19,754**	5,979	4,007	9,986
Hong Kong	**12,781**	**5,542**	**18,323**	12,410	4,856	17,266
US	**13,857**	**4,226**	**18,083**	14,484	5,604	20,088
United Arab Emirates	**5,927**	**10,717**	**16,644**	5,807	9,071	14,878
Singapore	**11,692**	**3,514**	**15,206**	13,135	3,411	16,546
South Korea	**7,488**	**5,846**	**13,334**	8,555	6,500	15,055
Switzerland	**3,918**	**2,362**	**6,280**	2,844	1,638	4,482
Qatar	**1,996**	**3,255**	**5,251**	840	2,044	2,884

Market risk

We recognise market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. Our exposure to market risk arises principally from customer-driven transactions. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements.

The primary categories of market risk for Standard Chartered are:

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

Market risk governance

The GRC approves our market risk appetite taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes. Market risk exposures have remained broadly stable in 2010.

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

Group Market Risk (GMR) approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the option's value.

Value at Risk ('VaR')

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

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

We apply two VaR methodologies:

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

In both methods an historical observation period of one year is chosen and applied.

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

Back testing

To assess their predictive power, VaR models are back tested against actual results. In 2010 there was one regulatory back testing exception, and one in 2009. This is well within the 'green zone' applied internationally to internal models by bank supervisors, and implies that model reliability is statistically greater than 95 per cent.

Stress testing

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

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

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

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

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

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

Market risk changes

Total average VaR declined in 2010 compared to 2009. This stemmed mainly from the non-trading book VaR, and reflected decreasing volatility of credit spreads that followed a sharp increase after the collapse of Lehman Brothers in September 2008. The one year historical data window applied as an input to the VaR model continued to reflect this period of particularly high credit spread volatility throughout most of 2009, but its impact tailed off in the second half of 2009. Average trading book VaR also declined in 2010 across asset classes.

There have been three significant changes of VaR coverage during 2009 and 2010 which have affected Total VaR as follows:

- Group Treasury positions were transferred from VaR to net interest income sensitivity basis from the start of 2010 (see details on page 45). This resulted in a $3.6million reduction in total VaR in 2010.
- The listed part of the private equities portfolio was included in non-trading VaR from October 2009 resulting in an increase of $3million in total VaR.
- Securities classed as loans and receivables or held to maturity were removed from VaR in June 2009. These non-traded securities (largely comprising asset-backed securities reclassified in 2008) are accounted for on an amortised cost basis and are match-funded, so market price movements have no effect on either profit and loss or reserves. This alignment of VaR with accounting treatment resulted in an $8.6 million reduction in total VaR at the time of implementation.

Daily value at risk (VaR at 97.5%, 1 day)

	2010				2009			
Trading and Non-trading	**Average $million**	**High[3] $million**	**Low[3] $million**	**Actual[4] $million**	Average $million	High[3] $million	Low[3] $million	Actual[4] $million
Interest rate risk[1]	**20.1**	**25.5**	**16.3**	**19.2**	37.3	46.7	24.7	25.5
Foreign exchange risk	**5.6**	**12.5**	**3.1**	**7.6**	7.8	16.1	3.5	5.0
Commodity risk	**1.9**	**4.0**	**0.7**	**3.5**	3.0	5.5	1.3	3.7
Equity risk	**9.5**	**11.3**	**6.9**	**10.7**	4.3	11.1	1.1	10.8
Total[2]	**22.1**	**31.0**	**17.3**	**25.2**	38.9	47.9	27.6	31.8
Trading								
Interest rate risk[1]	**8.7**	**11.9**	**5.1**	**6.7**	11.7	17.8	8.7	10.5
Foreign exchange risk	**5.6**	**12.5**	**3.1**	**7.6**	7.8	16.1	3.5	5.0
Commodity risk	**1.9**	**4.0**	**0.7**	**3.5**	3.0	5.5	1.3	3.7
Equity risk	**1.9**	**2.9**	**1.2**	**1.4**	2.7	3.6	1.0	2.5
Total[2]	**11.2**	**16.7**	**8.1**	**9.6**	14.5	19.3	9.9	13.2
Non-trading								
Interest rate risk[1]	**15.0**	**22.2**	**11.2**	**14.3**	32.4	41.0	20.8	22.2
Equity risk[5]	**9.4**	**10.8**	**8.1**	**10.0**	1.8	9.9	-	9.1
Total[2]	**17.4**	**23.2**	**13.5**	**16.9**	32.7	41.0	22.6	23.5

1 Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale.
2 The total VaR shown in the tables above is not a sum of the component risks due to offsets between them.
3 Highest and lowest VaR for each risk factor are independent and usually occur on different days.
4 Actual one day VaR at period end date.
5 Non-trading equity risk VaR was included only from October 2009. For the period October to December 2009, non-trading equity risk VaR average was $9.1 million, with a low of $8.7 million.

Average daily income earned from market risk related activities

Trading	**2010 $million**	2009 $million
Interest rate risk	**4.8**	5.0
Foreign exchange risk	**4.7**	5.3
Commodity risk	**1.3**	1.0
Equity risk	**0.4**	0.4
Total	**11.2**	11.7
Non-Trading		
Interest rate risk	**3.6**	4.5
Equity risk	**0.5**	1.0
Total	**4.1**	5.5

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

VaR and stress tests are therefore applied to these non-trading book exposures (except Group Treasury, refer below) in the same way as for the trading book, including listed available for sale securities. Securities classed as Loans and receivables or Held to maturity are not reflected in VaR or stress tests since they are accounted on an amortised cost basis and are match funded, so market price movements have no effect on either profit and loss or reserves.

Foreign exchange risk on the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency. Structural foreign exchange currency risks are not included within Group VaR.

Equity risk relating to non-listed Private Equity and strategic investments is not included within the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee. These are included as Level 3 assets as disclosed in note 11 to the financial statements on page 70.

Group Treasury market risk
Group Treasury raises debt and equity capital and the proceeds are invested within the Group as capital or placed with ALM. Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements. This risk is measured as the impact on net interest income (NII) of an unexpected and instantaneous adverse parallel shift in rates and is monitored over a rolling one-year time horizon (see table below).

This risk is monitored and controlled by the Group's Capital Management Committee (CMC).

Group Treasury
NII sensitivity to parallel shifts in yield curves

	2010 $million	2009 $million
+25 basis points	**29.9**	14.0
–25 basis points	**(29.9)**	(14.0)

The increase in NII sensitivity is primarily due to the placement of the 2010 rights issue proceeds at the US Federal Reserve over the year end.

Group Treasury also manages the structural foreign exchange risk that arises from non-US dollar currency net investments in branches and subsidiaries. The impact of foreign exchange movements is taken to reserves which form part of the capital base. The effect of exchange rate movements on the capital ratio is partially mitigated by the fact that both the value of these investments and the risk weighted assets in those currencies follow broadly the same exchange rate movements. With the approval of CMC, Group Treasury may hedge the net investments if it is anticipated that the capital ratio will be materially affected by exchange rate movements. At 31 December 2010, the Group had taken net investment hedges (using a combination of derivatives and non-derivative financial instruments) of $1,112 million (31 December 2009: $644 million) to partly cover its exposure to Korean won and $nil million (31 December 2009: $94 million) to partly cover its exposure to Taiwanese dollars.

The table below sets out the principal structural foreign exchange exposures (net of investment hedges) of the Group:

	2010 $million	2009 $million
Hong Kong dollar	**5,817**	5,852
Korean won	**5,266**	5,133
Indian rupee	**3,400**	2,828
Taiwanese dollar	**2,606**	2,071
Thai baht	**1,495**	1,291
UAE dirham	**1,343**	1,008
Singapore dollar	**841**	986
Malaysian ringgit	**1,047**	834
Chinese yuan	**1,420**	795
Indonesian rupiah	**882**	595
Pakistani rupee	**614**	562
Other	**2,838**	2,293
	27,569	24,248

An analysis has been performed on these exposures to assess the impact of a one per cent fall in the US dollar exchange rates adjusted to incorporate the impacts of correlations between different currencies. The impact on the positions above would be an increase of $197 million (2009: $176 million). Changes in the valuation of these positions are taken to reserves.

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

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

We enter into derivative contracts in the normal course of business to meet customer requirements and to manage our exposure to fluctuations in market price movements.

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

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

Hedging
Countries within the Group use futures, forwards, swaps and options transactions primarily to mitigate interest and foreign exchange risk arising from their in-country exposures. The Group also uses futures, forwards and options to hedge foreign exchange and interest rate risk.

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

The use of interest rate swaps for the purposes of fair value and cash flow hedging increased in 2010 compared to 2009, as we continued to focus on liquidity management together with a more active balance sheet hedging strategy. Interest rate swaps used for cash flow hedges increased significantly compared to 2009, primarily to hedge floating rate mortgage exposures in Taiwan, and the increase in fair value hedges largely reflected the growth of fixed deposits and bonds in Hong Kong. Currency swaps for fair value hedging increased primarily to hedge the increased level of Medium term note issuances in the UK. Forward Foreign exchange contracts held for fair value hedging increased in line with the strategy to grow the Credit Trading business. Currency swaps held for cash flow hedges increased largely as a result of more active management of our mortgage book exposures in Korea.

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

Liquidity risk

Liquidity risk is the risk that we either do not have sufficient financial resources available to meet our obligations as they fall due, or can only access these financial resources at excessive cost.

It is our policy to maintain adequate liquidity at all times, in all geographic locations and for all currencies, and hence to be in a position to meet obligations as they fall due. We manage liquidity risk both on a short-term and medium-term basis. In the short-term, our focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the balance sheet remains structurally sound and aligned to our strategy.

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

We seek to manage our liquidity prudently in all geographical locations and for all currencies. Exceptional market events can impact us adversely, thereby affecting our ability to fulfill our obligations as they fall due. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the intended maturity date. To mitigate these uncertainties, our customer deposit base is diversified by type and maturity. In addition we have contingency funding plans including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions.

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

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

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

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

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

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

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

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

Primary sources of funding

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

We maintain access to the interbank wholesale funding markets in all major financial centres and countries in which we operate as well as to commercial paper issuance. This seeks to ensure that we have flexibility around maturity transformation, have market intelligence, maintain stable funding lines and can obtain optimal pricing when we perform our interest rate risk management activities.

Liquidity metrics

We also monitor key liquidity metrics on a regular basis, both on a country basis and in aggregate across the Group. The key metrics are:

Advances to deposits ratio

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

	2010 $million	2009 $million
Loans and advances to customers[1]	**246,404**	201,803
Customer accounts[2]	**316,502**	256,746
	%	%
Advances to deposits ratio	**77.9**	78.6

[1] see note 15 to the financial statements on page 75.
[2] see note 20 to the financial statements on page 80.

Liquid asset ratio

This is the ratio of liquid assets to total assets. The significant level of holdings of liquid assets in the balance sheet reflects the application of our liquidity policies and practices. The following table shows the ratio of liquid assets to total assets:

	2010 %	2009 %
Liquid assets[1] to total assets ratio	**26.6**	26.2

[1] Liquid assets are the total of Cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.

Liquidity analysis of the Group's balance sheet

This table analyses assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date, on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cash flow.

	2010				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million	Total $million
Assets					
Cash and balances at central banks	25,339	-	-	7,385	32,724
Derivative financial instruments	9,204	12,182	19,596	6,877	47,859
Loans and advances to banks[1]	39,800	10,715	2,391	358	53,264
Loans and advances to customers[1]	81,268	35,921	55,450	73,765	246,404
Investment securities[1]	20,269	32,564	29,091	13,641	95,565
Other assets	13,831	5,839	65	20,991	40,726
Total assets	189,711	97,221	106,593	123,017	516,542
Liabilities					
Deposits by banks[1]	26,565	2,258	498	153	29,474
Customer accounts[1]	269,213	37,464	6,943	2,882	316,502
Derivative financial instruments	9,159	11,887	19,606	6,481	47,133
Debt securities in issue[1]	10,817	9,052	13,691	1,131	34,691
Other liabilities	16,153	2,602	911	14,272	33,938
Subordinated liabilities and other borrowed funds	5	290	918	14,726	15,939
Total liabilities	331,912	63,553	42,567	39,645	477,677
Net liquidity gap	(142,201)	33,668	64,026	83,372	38,865

1 Amounts include financial instruments held at fair value through profit or loss (see note 11 on page 68).

	2009				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million	Total $million
Assets					
Cash and balances at central banks	13,160	-	-	4,971	18,131
Derivative financial instruments	9,891	7,508	16,207	4,587	38,193
Loans and advances to banks[2]	37,127	14,182	1,289	335	52,933
Loans and advances to customers[2]	63,162	34,939	44,406	59,296	201,803
Investment securities[2]	18,939	30,185	32,967	10,524	92,615
Other assets	5,755	710	49	26,464	32,978
Total assets	148,034	87,524	94,918	106,177	436,653
Liabilities					
Deposits by banks[2]	34,721	2,967	1,140	115	38,943
Customer accounts[2]	230,332	22,198	3,971	245	256,746
Derivative financial instruments	8,644	7,969	15,757	4,214	36,584
Debt securities in issue[2]	11,390	9,134	11,059	1,676	33,259
Other liabilities	13,182	1,089	178	12,022	26,471
Subordinated liabilities and other borrowed funds	723	-	562	15,445	16,730
Total liabilities	298,992	43,357	32,667	33,717	408,733
Net liquidity gap	(150,958)	44,167	62,251	72,460	27,920

2 Amounts include financial instruments held at fair value through profit or loss (see note 11 on page 68).

Within the tables above cash and balances with central banks, loans and advances to banks, treasury bills and debt securities classified as trading, held at fair value or available for sale included within investment securities are used by the Group principally for liquidity management purposes.

Liquidity analysis of the Group's balance sheet continued

Behavioural maturity of financial liabilities

As discussed on pages 46 to 47 the Group seeks to manage its liabilities both on a contractual and behavioural basis primarily by matching the maturity profiles of assets and liabilities. The cash flows presented on page 48 reflect the cash flows which will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short term customer accounts, extend to a longer period than their contractual maturity. The Group's expectation of when such liabilities are likely to become payable is provided in the table below:

	2010				
	Three months or less	Between three months and one year	Between one year and five years	More than five years	Total
	$million	$million	$million	$million	$million
Deposits by banks	25,306	3,124	892	152	29,474
Customer accounts	130,275	49,199	113,105	23,923	316,502
Total	155,581	52,323	113,997	24,075	345,976

	2009				
	Three months or less	Between three months and one year	Between one year and five years	More than five years	Total
	$million	$million	$million	$million	$million
Deposits by banks	34,764	3,252	812	115	38,943
Customer accounts[1]	107,379	35,091	93,543	20,733	256,746
Total	142,143	38,343	94,355	20,848	295,689

[1] Customer accounts have been reclassified between maturity profiles.

Operational risk

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. We seek to minimise our exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The Group Operational Risk Committee (GORC) oversees the management of operational risks across the Group, supported by business, functional, and country-level committees. This formal structure of governance provides the GRC with confidence that operational risks are being proactively identified and effectively managed.

Group Operational Risk is responsible for setting and maintaining standards for operational risk management and measurement. In addition specialist operational risk control owners have responsibility for the management of operational risk arising from the following activities group-wide: legal processes, people management, technology management, vendor management, property management, security management, accounting and financial control, tax management, corporate authorities and structure and regulatory compliance. (Regulatory compliance risk is set out in more detail under "Regulatory changes and compliance" on page 23.)

Each risk control owner is responsible for identifying risks which are material to the Group and for maintaining an effective control environment, which includes defining appropriate policies and procedures for approval by authorised risk committees.

Reputational risk

Reputational risk is the potential for damage to our franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the organisation or its actions.

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

The Wholesale Banking Responsibility and Reputational Risk Committee and the Consumer Banking Reputational Risk Committee have responsibility for managing reputational risk in their respective businesses, while the GRC provides Group-wide oversight, sets policy and monitors any material risk issues.

At country level, the Head of Corporate Affairs is the risk control owner and it is their responsibility to protect our reputation in that market with the support of the country management team. To achieve this, the head of corporate affairs and country chief executive officer must actively:

- promote awareness and application of our policy and procedures regarding reputational risk
- encourage business and functions to take account of our reputation in all decision-making, including dealings with customers and suppliers
- implement effective in-country reporting systems to ensure they are aware of all potential issues in tandem with respective business committees
- promote effective, proactive stakeholder management through ongoing engagement.

Pension risk

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes. Pension risk exposure is not concerned with the financial performance of our pension schemes but is focused upon the risk to our financial position arising from our need to meet our pension scheme funding obligations. The risk assessment is focused on our obligations towards our major pension schemes, ensuring that our funding obligation to these schemes is comfortably within our financial capacity. Pension risk is monitored on a quarterly basis, taking account of the actual variations in asset values and updated expectations regarding the progression of the pension fund assets and liabilities.

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

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.

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

2. Segmental Information continued

Entity-wide information

By geography

The Group manages its reportable business segments on a global basis. The operations are based in eight main geographic areas. The UK is the home country of the company.

	2010								
	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[1] $million	Total $million
Internal income	5	(47)	(49)	64	349	2	82	(406)	-
Net interest income	1,229	907	1,158	1,833	767	1,145	517	914	8,470
Fees and commissions income, net	700	400	233	737	464	589	359	756	4,238
Net trading income	521	367	293	340	267	343	263	183	2,577
Other operating income	45	111	63	191	181	88	25	73	777
Operating income	2,500	1,738	1,698	3,165	2,028	2,167	1,246	1,520	16,062
Operating expenses	(1,355)	(986)	(1,080)	(1,970)	(749)	(995)	(653)	(1,235)	(9,023)
Operating profit before impairment losses and taxation	1,145	752	618	1,195	1,279	1,172	593	285	7,039
Impairment losses on loans and advances and other credit risk provisions	(43)	(33)	(226)	(152)	(79)	(302)	(24)	(24)	(883)
Other impairment	1	(1)	(4)	(2)	(3)	(29)	(10)	(28)	(76)
Profit from associates	-	-	-	42	-	-	-	-	42
Profit before taxation	1,103	718	388	1,083	1,197	841	559	233	6,122
Capital expenditure[2]	23	286	60	74	38	18	57	509	1,065

1 Americas UK & Europe includes operating income of $739 million in respect of the UK, the Company's country of domicile.

2 Includes capital expenditure in Americas, UK & Europe of $498 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities.

	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[1] $million	Total $million
Internal income	14	(18)	(62)	43	195	(42)	39	(169)	-
Net interest income	1,308	782	908	1,505	724	1,134	491	771	7,623
Fees and commissions income, net	542	291	187	502	546	494	320	488	3,370
Net trading income	456	357	322	502	259	356	221	417	2,890
Other operating income	50	180	199	336	89	136	18	293	1,301
Operating income	2,370	1,592	1,554	2,888	1,813	2,078	1,089	1,800	15,184
Operating expenses	(1,168)	(801)	(953)	(1,778)	(571)	(891)	(553)	(1,237)	(7,952)
Operating profit before impairment losses and taxation	1,202	791	601	1,110	1,242	1,187	536	563	7,232
Impairment losses on loans and advances and other credit risk provisions	(145)	(37)	(278)	(395)	(201)	(811)	(54)	(79)	(2,000)
Other impairment	10	(40)	(1)	26	19	(10)	-	(106)	(102)
(Loss)/profit from associates	(5)	-	-	29	-	-	-	(3)	21
Profit before taxation	1,062	714	322	770	1,060	366	482	375	5,151
Capital expenditure [2]	24	164	63	32	49	19	37	673	1,061

1 Americas UK & Europe includes operating income of $967 million in respect of the UK, the Company's country of domicile.

2 Includes capital expenditure in Americas, UK & Europe of $630 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities.

2. Segmental Information continued

The following tables set out the structure of the Group's deposits by principal geographic areas as at 31 December 2010 and 31 December 2009:

	2010								
	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
Non-interest bearing current and demand accounts	**7,045**	**5,927**	**74**	**5,167**	**3,175**	**7,907**	**3,917**	**7,608**	**40,820**
Interest bearing current accounts and savings deposits	**43,302**	**22,843**	**18,981**	**27,060**	**2,324**	**3,834**	**2,212**	**16,699**	**137,255**
Time deposits	**26,339**	**23,793**	**18,015**	**35,660**	**6,469**	**10,341**	**2,431**	**39,605**	**162,653**
Other deposits	**130**	**112**	**733**	**843**	**2,058**	**332**	**121**	**919**	**5,248**
Total	**76,816**	**52,675**	**37,803**	**68,730**	**14,026**	**22,414**	**8,681**	**64,831**	**345,976**
Deposits by banks	**2,540**	**1,130**	**2,484**	**4,006**	**512**	**1,555**	**470**	**16,777**	**29,474**
Customer accounts	**74,276**	**51,545**	**35,319**	**64,724**	**13,514**	**20,859**	**8,211**	**48,054**	**316,502**
	76,816	**52,675**	**37,803**	**68,730**	**14,026**	**22,414**	**8,681**	**64,831**	**345,976**
Debt securities in issue	**22**	**535**	**9,860**	**1,812**	**241**	**52**	**413**	**21,756**	**34,691**
Total	**76,838**	**53,210**	**47,663**	**70,542**	**14,267**	**22,466**	**9,094**	**86,587**	**380,667**

	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
Non-interest bearing current and demand accounts	6,220	6,343	81	4,393	2,779	6,571	2,274	1,911	30,572
Interest bearing current accounts and savings deposits	42,493	16,544	16,663	24,480	2,051	3,093	3,386	18,016	126,726
Time deposits	22,964	20,731	13,840	27,855	5,101	11,086	1,694	30,611	133,882
Other deposits	73	52	458	1,048	1,291	408	146	1,033	4,509
Total	71,750	43,670	31,042	57,776	11,222	21,158	7,500	51,571	295,689
Deposits by banks	2,898	1,972	8,287	6,673	620	1,353	294	16,846	38,943
Customer accounts	68,852	41,698	22,755	51,103	10,602	19,805	7,206	34,725	256,746
	71,750	43,670	31,042	57,776	11,222	21,158	7,500	51,571	295,689
Debt securities in issue	145	679	12,608	1,695	520	45	326	17,241	33,259
Total	71,895	44,349	43,650	59,471	11,742	21,203	7,826	68,812	328,948

Net interest margin and yield

	2010 $million	2009 $million
Net interest margin (%)	**2.2**	2.3
Net interest yield (%)	**2.1**	2.1
Average interest earning assets	**383,359**	328,688
Average interest bearing liabilities	**347,058**	298,365

2. Segmental Information continued

Net interest margin by geography

	2010									
	Asia Pacific									
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe[1]	Intra-group/ tax assets	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
Total assets employed	**102,674**	**82,007**	**63,936**	**101,915**	**39,631**	**48,028**	**15,944**	**117,916**	**(55,509)**	**516,542**
Average interest-earning assets	**81,975**	**55,530**	**55,505**	**79,634**	**28,798**	**31,318**	**12,543**	**76,774**	**(38,718)**	**383,359**
Net interest income	**1,272**	**821**	**1,099**	**1,885**	**965**	**1,172**	**598**	**658**	**-**	**8,470**
Net interest margin (%)	**1.6**	**1.5**	**2.0**	**2.4**	**3.4**	**3.7**	**4.8**	**0.9**	**-**	**2.2**

[1] Americas UK & Europe includes total assets employed of $75,930 million in respect of the UK, the Company's country of domicile.

	2009									
	Asia Pacific									
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe[1]	Intra-group/ tax assets	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
Total assets employed	91,739	62,137	63,222	83,191	31,719	44,275	13,633	91,149	(44,412)	436,653
Average interest-earning assets	75,844	44,739	46,898	65,602	23,375	29,717	11,099	63,951	(32,537)	328,688
Net interest income	1,341	742	841	1,539	899	1,114	532	615	-	7,623
Net interest margin (%)	1.8	1.7	1.8	2.3	3.8	3.7	4.8	1.0	-	2.3

[1] Americas UK & Europe includes total assets employed of $76,541 million in respect of the UK, the Company's country of domicile.

3. Net trading income

	2010 $million	2009 $million
Gains less losses on instruments held for trading:		
Foreign currency[1]	**1,677**	1,830
Trading securities	**349**	329
Interest rate derivatives	**339**	576
Credit and other derivatives	**38**	35
	2,403	2,770
Gains less losses from fair value hedging:		
Gains less losses from fair value hedged items	**(256)**	454
Gains less losses from fair value hedged instruments	**272**	(462)
	16	(8)
Gains less losses on instruments designated at fair value:		
Financial assets designated at fair value through profit or loss	**201**	22
Financial liabilities designated at fair value through profit or loss	**(14)**	70
Derivatives managed with financial instruments designated at fair value through profit or loss	**(29)**	36
	158	128
	2,577	2,890

[1] Includes foreign currency gains and losses arising on the translation of foreign currency monetary assets and liabilities.

4. Other operating income

	2010 $million	2009 $million
Other operating income includes:		
Gains less losses on available-for-sale and loan and receivable financial assets :		
On disposal	**300**	592
Writedowns on asset backed securities	**-**	(4)
Dividend income	**53**	109
Gains arising on repurchase of subordinated liabilities	**-**	264
Gains arising on assets fair valued at acquisition[1]	**29**	43
Rental income from operating lease assets	**213**	156
Gains on disposal of property, plant and equipment	**65**	40
Gain arising on change of control	**4**	-
Loss on sale of businesses	**-**	(2)

[1]Relates to acquisitions completed prior to 1 January 2010, and primarily consists of recoveries of fair value adjustments on loans and advances.

5. Depreciation and amortisation

	2010 $million	2009 $million
Premises	**118**	119
Equipment:		
Operating lease assets	**71**	54
Others	**140**	139
Intangibles:		
Software	**167**	139
Acquired on business combinations	**63**	69
	559	520

6. Impairment losses on loans and advances and other credit risk provisions

The following table reconciles the charge for impairment provisions on loans and advances to the total impairment charge and other credit commitments:

	2010 $million	2009 $million
Net charge against profit on loans and advances:		
Individual impairment charge	**1,002**	1,799
Portfolio impairment (release)/charge	**(130)**	196
	872	1,995
Provisions/(release) related to credit commitments	**9**	(2)
Impairment charges relating to debt securities classified as loans and receivables	**2**	7
Total impairment losses and other credit risk provisions	**883**	2,000

An analysis of impairment provisions by geography and business is set out within the Risk review on pages 33 to 37.

7. Other impairment

	2010 $million	2009 $million
Impairment losses on available-for-sale financial assets :		
- Asset backed securities	22	66
- Other debt securities	-	8
- Equity shares	10	49
	32	123
Impairment of investment in associates	-	19
Other	45	17
	77	159
Recovery of impairment on disposal of equity instruments	(1)	(57)
	76	102

Recoveries of impairments of $1 million (2009: $57 million) are in respect of private and strategic equity investments sold during the period which had impairment provisions raised against them in previous periods.

8. Taxation

Analysis of taxation charge in the year:

	2010 $million	2009 $million
The charge for taxation based upon the profits for the year comprises:		
Current tax:		
United Kingdom corporation tax at 28 per cent (2009: 28 per cent):		
Current tax on income for the year	865	893
Adjustments in respect of prior periods (including double taxation relief)	6	398
Double taxation relief	(697)	(623)
Foreign tax:		
Current tax on income for the year	1,310	1,309
Adjustments in respect of prior periods	36	48
	1,520	2,025
Deferred tax:		
Origination/reversal of temporary differences	303	(192)
Adjustments in respect of prior periods	(115)	(159)
	188	(351)
Tax on profits on ordinary activities	1,708	1,674
Effective tax rate	27.9%	32.5%

The UK corporation tax rate has been changed from 28 per cent to 27 per cent with an effective date of 1 April 2011. This rate has been substantively enacted at the balance sheet date and has reduced the UK deferred tax asset as it impacts the reversal of temporary differences from 1 April 2011 onwards.

Foreign taxation includes taxation on Hong Kong profits of $109 million (2009: $151 million) provided at a rate of 16.5 per cent (2009: 16.5 per cent) on the profits assessable in Hong Kong. Deferred taxation includes origination/ (reversal) of temporary differences in Hong Kong profits of $25 million (2009: $(48) million) provided at a rate of 16.5 per cent (2009: 16.5 per cent) on the profits assessable in Hong Kong.

9. Dividends

Ordinary equity shares	2010 Pre-rights cents per share	2010 $million	2009 Pre-rights cents per share	2009 $million
2009 / 2008 final dividend declared and paid during the year	**44.80**	**904**	42.32	801
2010 / 2009 interim dividend declared and paid during the year	**23.35**	**481**	21.23	425
		1,385		1,226

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2010 and 2009. Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2009 final dividend of 44.80 cents per ordinary share ($904 million) was paid to eligible shareholders on 13 May 2010 and the 2010 interim dividend of 23.35 cents per ordinary share ($481 million) was paid to eligible shareholders on 5 October 2010.

2010 recommended final ordinary equity share dividend

The 2010 final ordinary equity share dividend recommended by the Board is 46.65 cents per share ($1,089 million), which makes the total dividend for 2010 70.00 cents per share on a pre-rights basis (2009: 66.03 cents per share, 2008: 61.62 cents per share). The final dividend will be paid in either pounds sterling, Hong Kong dollars or US dollars on 11 May 2011 to shareholders on the UK register of members at the close of business in the UK (10:00 pm London time) on 11 March 2011, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 11 March 2011. The 2010 final ordinary equity share dividend will be paid in Indian rupees on 11 May 2011 to Indian Depository Receipt holders on the Indian register at the close of business in India on 11 March 2011.

It is intended that shareholders on the UK register and Hong Kong branch register will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 25 March 2011. Indian Depository Receipt holders will receive their dividend in Indian rupees only.

Impact of the 2010 rights issue

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.

In the absence of specific guidance in IFRS, 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 'Earnings per share' (see note 10).

	2010 Post-rights cents per share	2009 Post-rights cents per share
2009 / 2008 final dividend declared and paid during the year	**43.16**	40.77
2010 / 2009 interim dividend declared and paid during the year	**22.50**	20.45

Total dividend recommended and declared relating to 2010 on a post-rights basis is 69.15 cents per share (2009: 63.61 cents per share, 2008: 59.36 cents per share).

For the 98.5 per cent of shareholders who exercised their rights, a comparison of the actual cash payments received by the shareholders is better reflected by adjusting the dividend per share amounts by the ratio of shares outstanding immediately before the rights issue to the number of shares outstanding immediately following the rights issue as set out in the table below. This approach is consistent with the adjustments to the dividend per share amounts following the rights issue in 2008.

	2010 Adjusted cents per share	2009 Adjusted cents per share
2009 / 2008 final dividend declared and paid during the year	**39.82**	37.62
2010 / 2009 interim dividend declared and paid during the year	**20.76**	18.87

Total dividend recommended and declared relating to 2010 adjusted using the ratio above is 67.41 cents per share (2009: 58.69 cents per share, 2008: 54.78 cents per share).

Preference shares		2010 $million	2009 $million
Non-cumulative irredeemable preference shares:	7 3/8 per cent preference shares of £1 each[1]	**11**	11
	8 1/4 per cent preference shares of £1 each[1]	**13**	13
Non-cumulative redeemable preference shares:	8.125 per cent preference shares of $5 each[1]	**75**	75
	7.014 per cent preference shares of $5 each[2]	**53**	53
	6.409 per cent preference shares of $5 each[2]	**48**	48

1 Dividends on these preference shares are treated as interest expense and accrued accordingly.

2 Dividends on these preference shares classified as equity are recorded in the period in which they are declared.

10. Earnings per ordinary share

	2010			2009		
	Profit[1]	Weighted average number of shares	Per share amount	Profit[1]	Weighted average number of shares	Per share amount
	$million	('000)	cents	$million	('000)	cents
Basic earnings per ordinary share						
Pre-rights issue bonus earnings per ordinary share	**4,231**	**2,048,759**	**206.5**	3,279	1,952,377	167.9
Impact of rights issue [2]	**–**	**106,559**	**–**	–	74,190	–
Post-rights issue bonus basic earnings per ordinary share	**4,231**	**2,155,318**	**196.3**	3,279	2,026,567	161.8
Effect of dilutive potential ordinary shares:						
Options [3]	**–**	**37,322**	**–**	–	31,632	–
Diluted earnings per ordinary share	**4,231**	**2,192,640**	**193.0**	3,279	2,058,199	159.3

There were no ordinary shares issued after the balance sheet date that would have significantly affected the number of ordinary shares used in the above calculation had they been issued prior to the end of the balance sheet date.

Normalised earnings per ordinary share

The Group measures earnings per share on a normalised basis. This differs from earnings defined in IAS 33 'Earnings per share'.

The table below provides a reconciliation.

	2010	2009
	$million	$million
Profit attributable to ordinary shareholders	**4,231**	3,279
Amortisation of intangible assets arising on business combinations	**62**	69
Gain on disposal of property, plant and equipment	**(45)**	-
Gains arising on repurchase of subordinated liabilities	**-**	(264)
(Profit)/loss on sale of businesses or arising on change of control	**(4)**	2
Loss on PEM Group structured notes	**-**	170
Pre-incorporation costs of Korean principal holding company	**-**	5
UK bank payroll tax	**7**	58
Impairment of associates and other strategic investments	**-**	19
One-off settlement with the UK Tax authority [4]	**-**	190
Tax on normalised items	**(6)**	(17)
Normalised earnings	**4,245**	3,511
Normalised basic earnings per ordinary share (cents)	**197.0**	173.2 [2]
Normalised diluted earnings per ordinary share (cents)	**193.6**	170.6 [2]

1 The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 9).

2 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 share. The issue was made as 1 share for every 8 shares held on 21 October 2010. As required by IAS 33 'Earnings per share' the impact of the bonus element included within the rights issue has been included in the calculations of the basic and diluted earnings per share for the year and prior periods (and their normalised equivalent) have been re-presented accordingly as presented in note 33.

3 The impact of anti-dilutive options has been excluded from this amount as required by IAS 33 'Earnings per Share'.

4 This amount represents $192 million one-off tax settlement with the UK tax authority, net of post tax interest income on tax receivables $2 million.

11. Financial instruments

Classification

Financial assets are classified between four measurement categories: held at fair value through profit or loss (comprising trading and designated), available-for-sale, loans and receivables and held-to-maturity; and two measurement categories for financial liabilities: held at fair value through profit or loss (comprising trading and designated) and amortised cost. Instruments are classified in the balance sheet in accordance with their legal form, except for instruments that are held for trading purposes and those that the Group has designated to hold at fair value through the profit and loss account. The latter are combined on the face of the balance sheet and disclosed as financial assets or liabilities held at fair value through profit or loss.

The Group's classification of its principal financial assets and liabilities is summarised in the table below.

	Assets at fair value				Assets at amortised cost			
Assets	Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Loans and receivables $million	Held-to-maturity $million	Non-financial assets $million	Total $million
Cash and balances at central banks	**-**	**-**	**-**	**-**	**32,724**	**-**	**-**	**32,724**
Financial assets held at fair value through profit or loss								
Loans and advances to banks	**1,206**	**-**	**-**	**-**	**-**	**-**	**-**	**1,206**
Loans and advances to customers	**5,651**	**-**	**395**	**-**	**-**	**-**	**-**	**6,046**
Treasury bills and other eligible bills	**5,933**	**-**	**265**	**-**	**-**	**-**	**-**	**6,198**
Debt securities	**11,781**	**-**	**36**	**-**	**-**	**-**	**-**	**11,817**
Equity shares	**1,329**	**-**	**425**	**-**	**-**	**-**	**-**	**1,754**
	25,900	**-**	**1,121**	**-**	**-**	**-**	**-**	**27,021**
Derivative financial instruments	**46,256**	**1,603**	**-**	**-**	**-**	**-**	**-**	**47,859**
Loans and advances to banks	**-**	**-**	**-**	**-**	**52,058**	**-**	**-**	**52,058**
Loans and advances to customers	**-**	**-**	**-**	**-**	**240,358**	**-**	**-**	**240,358**
Investment securities								
Treasury bills and other eligible bills	**-**	**-**	**-**	**17,895**	**-**	**-**	**-**	**17,895**
Debt securities	**-**	**-**	**-**	**50,555**	**4,804**	**25**	**-**	**55,384**
Equity shares	**-**	**-**	**-**	**2,517**	**-**	**-**	**-**	**2,517**
	-	**-**	**-**	**70,967**	**4,804**	**25**	**-**	**75,796**
Other assets	**-**	**-**	**-**	**-**	**19,628**	**-**	**5,728**	**25,356**
Total at 31 December 2010	**72,156**	**1,603**	**1,121**	**70,967**	**349,572**	**25**	**5,728**	**501,172**
Cash and balances at central banks	-	-	-	-	18,131	-	-	18,131
Financial assets held at fair value through profit or loss								
Loans and advances to banks	1,947	-	101	-	-	-	-	2,048
Loans and advances to customers	3,373	-	138	-	-	-	-	3,511
Treasury bills and other eligible bills	5,319	-	240	-	-	-	-	5,559
Debt securities	9,941	-	170	-	-	-	-	10,111
Equity shares	633	-	584	-	-	-	-	1,217
	21,213	-	1,233	-	-	-	-	22,446
Derivative financial instruments	36,858	1,335	-	-	-	-	-	38,193
Loans and advances to banks	-	-	-	-	50,885	-	-	50,885
Loans and advances to customers	-	-	-	-	198,292	-	-	198,292
Investment securities								
Treasury bills and other eligible bills	-	-	-	18,958	-	-	-	18,958
Debt securities	-	-	-	48,433	6,657	31	-	55,121
Equity shares	-	-	-	1,649	-	-	-	1,649
	-	-	-	69,040	6,657	31	-	75,728
Other assets	-	-	-	-	12,668[1]	-	4,533	17,201
Total at 31 December 2009	58,071	1,335	1,233	69,040	286,633	31	4,533	420,876

[1] Includes unsettled trades and other financial assets previously included in non-financial assets.

11. Financial instruments continued

Classification continued

Liabilities	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss						
Deposits by banks	**885**	**-**	**38**	**-**	**-**	**923**
Customer accounts	**2,307**	**-**	**7,203**	**-**	**-**	**9,510**
Debt securities in issue	**2,256**	**-**	**1,054**	**-**	**-**	**3,310**
Short positions	**6,545**	**-**	**-**	**-**	**-**	**6,545**
	11,993	**-**	**8,295**	**-**	**-**	**20,288**
Derivative financial instruments	**46,192**	**941**	**-**	**-**	**-**	**47,133**
Deposits by banks	**-**	**-**	**-**	**28,551**	**-**	**28,551**
Customer accounts	**-**	**-**	**-**	**306,992**	**-**	**306,992**
Debt securities in issue	**-**	**-**	**-**	**31,381**	**-**	**31,381**
Other liabilities	**-**	**-**	**-**	**15,890**	**5,204**	**21,094**
Subordinated liabilities and other borrowed funds	**-**	**-**	**-**	**15,939**	**-**	**15,939**
Total at 31 December 2010	**58,185**	**941**	**8,295**	**398,753**	**5,204**	**471,378**
Financial liabilities held at fair value through profit or loss						
Deposits by banks	432	-	50	-	-	482
Customer accounts	1,886	-	3,616	-	-	5,502
Debt securities in issue	2,618	-	1,369	-	-	3,987
Short positions	4,534	-	-	-	-	4,534
	9,470	-	5,035	-	-	14,505
Derivative financial instruments	36,007	577	-	-	-	36,584
Deposits by banks	-	-	-	38,461	-	38,461
Customer accounts	-	-	-	251,244	-	251,244
Debt securities in issue	-	-	-	29,272	-	29,272
Other liabilities	-	-	-	11,051 [1]	5,088	16,139
Subordinated liabilities and other borrowed funds	-	-	-	16,730	-	16,730
Total at 31 December 2009	45,477	577	5,035	346,758	5,088	402,935

[1] Includes unsettled trades and other financial liabilities previously included within non-financial liabilities.

11. Financial instruments continued

Valuation hierarchy

The valuation hierarchy, and the types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets:	Actively traded government and agency securities Listed equities Listed derivative instruments Investments in publicly traded mutual funds with listed market prices	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives Asset backed securities Private equity investments	Asset backed securities Private equity investments Highly structured OTC derivatives with unobservable parameters Corporate bonds in illiquid markets
Types of financial liabilities:	Listed derivative instruments	OTC derivatives Structured deposits Credit structured debt securities in issue	Highly structured OTC derivatives with unobservable parameters. Illiquid or highly structured debt securities in issue

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2010.

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	406	800	-	1,206
Loans and advances to customers	19	6,027	-	6,046
Treasury bills and other eligible bills	6,055	143	-	6,198
Debt securities	7,257	4,333	227	11,817
Equity shares	1,434	19	301	1,754
	15,171	11,322	528	27,021
Derivative financial instruments	135	47,537	187	47,859
Investment securities				
Treasury bills and other eligible bills	15,335	2,560	-	17,895
Debt securities	20,631	29,342	582	50,555
Equity shares	1,020	446	1,051	2,517
	36,986	32,348	1,633	70,967
At 31 December 2010	52,292	91,207	2,348	145,847

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposit by banks	320	603	-	923
Customer accounts	-	9,510	-	9,510
Debt securities in issue	-	2,999	311	3,310
Short positions	6,072	473	-	6,545
	6,392	13,585	311	20,288
Derivative financial instruments	105	46,746	282	47,133
At 31 December 2010	6,497	60,331	593	67,421

11. Financial instruments continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2009.

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	372	1,676	-	2,048
Loans and advances to customers	170	3,341	-	3,511
Treasury bills and other eligible bills	4,537	1,022	-	5,559
Debt securities	5,250	4,732	129	10,111
Equity shares	604	37	576	1,217
	10,933	10,808	705	22,446
Derivative financial instruments	623	37,432	138	38,193
Investment securities				
Treasury bills and other eligible bills	17,987[1]	971	-	18,958
Debt securities	16,366	31,630	437	48,433
Equity shares	595	298	756	1,649
	34,948	32,899	1,193	69,040
At 31 December 2009	46,504	81,139	2,036	129,679

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposit by banks	-	482	-	482
Customer accounts	39	5,463	-	5,502
Debt securities in issue	-	3,987	-	3,987
Short positions	4,302	232	-	4,534
	4,341	10,164	-	14,505
Derivative financial instruments	578	35,856	150	36,584
At 31 December 2009	4,919	46,020	150	51,089

[1] Certain government securities amounting to $5,193 million were initially classified within Level 2 as at 31 December 2009. These have been re-presented as Level 1 as they are actively traded and market quotes are available.

Instruments carried at amortised cost

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. The fair values in the table below are stated as at 31 December and may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument.

	2010		2009	
	Book amount $million	**Fair value $million**	Book amount $million	Fair value $million
Assets				
Cash and balances at central banks	**32,724**	**32,724**	18,131	18,131
Loans and advances to banks	**52,058**	**51,942**	50,885	50,906
Loans and advances to customers	**240,358**	**239,446**	198,292	199,739
Investment securities	**4,829**	**4,765**	6,688	6,556
Other assets[1]	**19,628**	**19,628**	12,668	12,668
Liabilities				
Deposits by banks	**28,551**	**28,501**	38,461	38,169
Customer accounts	**306,992**	**305,560**	251,244	249,548
Debt securities in issue	**31,381**	**30,710**	29,272	27,261
Subordinated liabilities and other borrowed funds	**15,939**	**16,298**	16,730	16,687
Other liabilities[1]	**15,890**	**15,890**	11,051	11,051[1]

[1] Includes unsettled trades and other financial assets and liabilities previously included within non-financial assets and liabilities.

11. Financial instruments continued

Reclassification of financial assets

In 2008 the Group reclassified certain non-derivative financial assets classified as held for trading into the available-for-sale ('AFS') category as these were no longer considered to be held for the purpose of selling or repurchasing in the near term. At the time of transfer, the Group identified the rare circumstances permitting such a transfer as the impact of the ongoing credit crisis in financial markets, particularly from the beginning of 2008, which significantly impacted the liquidity in certain markets. The Group also reclassified certain eligible financial assets from trading and available-for-sale categories to loans and receivables where the Group had the intent and ability to hold the reclassified assets for the foreseeable future or until maturity. There were no reclassifications during 2010 or 2009.

The following table provides details of the remaining balances of assets reclassified during 2008:

			If assets had not been reclassified, fair value gain from 1 January 2010 to 31 December 2010 which would have been recognised within				
For assets reclassified:	Carrying amount at 31 December 2010 $million	Fair value at 31 December 2010 $million	Income $million	AFS reserve $million	Income recognised in income statement in 2010 $million	Effective interest rate at date of reclassification %	Estimated amounts of expected cash flows $million
From trading to AFS	339	339	40 [1]	-	23	5.2	416
From trading to loans and receivables	1,562	1,490	80	-	73	5.6	1,686
From AFS to loans and receivables	1,090	1,052	-	75	35	5.4	1,132
	2,991	2,881	120	75	131		
Of which asset backed securities:							
reclassified to AFS	122	122	35 [1]	-	8		
reclassified to loans and receivables	1,725	1,648	42	75	53		

[1] Post-reclassification, this is recognised within the available-for-sale reserve.

			If assets had not been reclassified, fair value gains/(loss) from 1 January 2009 to 31 December 2009 which would have been recognised within				
For assets reclassified:	Carrying amount at 31 December 2009 $million	Fair value at 31 December 2009 $million	Income $million	AFS reserve $million	Income/(expenses) recognised in income statement in 2009 $million	Effective interest rate at date of reclassification %	Estimated amounts of expected cash flows $million
From trading to AFS	593	593	(20) [1]	-	23	6.2	771
From trading to loans and receivables	2,213	2,049	127	-	95	5.8	2,352
From AFS to loans and receivables	1,362	1,216	-	145	49	5.3	1,416
	4,168	3,858	107	145	167		
Of which asset backed securities:							
reclassified to AFS	148	148	(17) [1]	-	(36)		
reclassified to loans and receivables	2,231	2,002	21	145	76		

[1] Post-reclassification, this is recognised within the available-for-sale reserve.

12. Financial instruments held at fair value through profit or loss

Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit or loss comprise assets held for trading and those financial assets designated as being held at fair value through profit or loss. For certain loans and advances and debt securities with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. Derivatives are recorded at fair value whereas loans and advances are usually recorded at amortised cost. To significantly reduce the accounting mismatch between fair value and amortised cost, these loans and advances and debt securities have been designated at fair value through profit or loss. The Group ensures the criteria under IAS 39 are met by matching the principal terms of interest rate swaps to the corresponding loans and debt securities.

Debt securities, equity shares and treasury bills held at fair value through profit or loss

	2010			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	7,156			
Other public sector securities	120			
	7,276			
Issued by banks:				
Certificates of deposit	151			
Other debt securities	1,302			
	1,453			
Issued by corporate entities and other issuers:				
Other debt securities	3,088			
Total debt securities	11,817			
Of which:				
Listed on a recognised UK exchange	180	-	-	180
Listed elsewhere	5,865	1,453	769	8,087
Unlisted	5,772	301	5,429	11,502
	11,817	1,754	6,198	19,769
Market value of listed securities	6,045	1,453	769	8,267
Trading securities pledged subject to sale and repurchase transactions	739	-	108	847

	2009			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	5,568			
Other public sector securities	18			
	5,586			
Issued by banks:				
Certificates of deposit	628			
Other debt securities	968			
	1,596			
Issued by corporate entities and other issuers:				
Other debt securities	2,929			
Total debt securities	10,111			
Of which:				
Listed on a recognised UK exchange	440	-	-	440
Listed elsewhere	4,835	604	1,516	6,955
Unlisted	4,836	613	4,043	9,492
	10,111	1,217	5,559	16,887
Market value of listed securities	5,275	604	1,516	7,395
Trading securities pledged subject to sale and repurchase transactions	240	-	-	240

12. Financial instruments held at fair value through profit or loss continued

Financial liabilities held at fair value through profit and loss

The Group designates certain financial liabilities at fair value through profit or loss where either the liabilities:

- have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered into with the intention of significantly reducing interest rate risk; or
- are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- have been acquired to fund trading asset portfolios or assets, or where the assets and liabilities are managed, and performance evaluated, on a fair value basis for a documented risk management or investment strategy.

Derivatives are recorded at fair value whereas non-trading financial liabilities (unless designated at fair value) are recorded at amortised cost. Designation of certain liabilities at fair value through profit or loss significantly reduces the accounting mismatch between fair value and amortised cost expense recognition (a criterion of IAS 39). The Group ensures the criteria under IAS 39 are met by matching the principal terms of derivatives to the corresponding liabilities, either individually or on a portfolio basis.

13. Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. The types of derivatives used by the Group are set out below. All derivatives are classified as trading and recognised and subsequently measured at fair value, with all revaluation gains recognised in profit and loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

The tables below analyse the notional principal amounts and the positive and negative fair values of the Group's derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net. Details of the amounts available for offset can be found in the Risk review on page 28.

The Derivatives and Hedging sections of the Risk review on pages 45 and 46 explain the Group's risk management of derivative contracts and application of hedging.

	2010			2009		
Total derivatives	**Notional principal amounts $million**	**Assets $million**	**Liabilities $million**	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**986,615**	**12,503**	**12,236**	701,502	9,052	7,920
Currency swaps and options	**566,291**	**11,343**	**11,712**	448,615	9,753	9,621
Exchange traded futures and options	**855**	**-**	**-**	774	-	-
	1,553,761	**23,846**	**23,948**	1,150,891	18,805	17,541
Interest rate derivative contracts:						
Swaps	**1,745,286**	**17,487**	**17,001**	1,210,432	14,230	13,946
Forward rate agreements and options	**234,926**	**1,010**	**1,029**	233,769	2,498	2,472
Exchange traded futures and options	**619,859**	**350**	**346**	252,625	83	84
	2,600,071	**18,847**	**18,376**	1,696,826	16,811	16,502
Credit derivative contracts	**65,986**	**1602**	**1679**	35,133	835	845
Equity and stock index options	**8,842**	**479**	**757**	3,208	470	613
Commodity derivative contracts	**36,524**	**3,085**	**2,373**	19,066	1,272	1,083
Total derivatives	**4,265,184**	**47,859**	**47,133**	2,905,124	38,193	36,584

13. Derivative financial instruments continued

Derivatives held for hedging

Hedge accounting is applied to derivatives and hedged items when the criteria under IAS 39 have been met. The tables below list the types of derivatives that the Group holds for hedge accounting.

	2010			2009		
	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	33,280	1,424	652	29,595	1,247	440
Currency swaps	3,178	46	172	607	14	9
Forward foreign exchange contracts	1,650	28	11	825	-	1
	38,108	1,498	835	31,027	1,261	450
Derivatives designated as cash flow hedges:						
Interest rate swaps	18,591	20	23	14,673	46	23
Options	950	54	-	898	23	-
Forward foreign exchange contracts	148	22	6	410	-	37
Currency swaps	1,751	9	1	218	-	1
	21,440	105	30	16,199	69	61
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	803	-	76	738	5	66
Total derivatives held for hedging	60,351	1,603	941	47,964	1,335	577

14. Loans and advances to banks

	2010 $million	2009 $million
Loans and advances to banks	53,359	53,067
Individual impairment provision	(93)	(132)
Portfolio impairment provision	(2)	(2)
	53,264	52,933
Of which: loans and advances held at fair value through profit or loss (note 11)	(1,206)	(2,048)
	52,058	50,885

Analysis of loans and advances to banks by geography are set out in the Risk review section on pages 29 to 30.

15. Loans and advances to customers

	2010 $million	2009 $million
Loans and advances to customers	248,988	204,530
Individual impairment provision	(1,824)	(1,853)
Portfolio impairment provision	(760)	(874)
	246,404	201,803
Of which: loans and advances held at fair value through profit or loss (note 11)	(6,046)	(3,511)
	240,358	198,292
Loans and advances pledged subject to sale and repurchase transactions	39	231

The Group has outstanding residential mortgage loans to Korea residents of $23.1 billion (2009:$20.5 billion) and Hong Kong residents of $18.2 billion (2009: $14.8 billion).

Analysis of loans and advances to customers by geography and business and related impairment provisions are set out within the Risk review on pages 29 to 37.

16. Investment securities

	2010					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables[1] $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	25	20,776	388			
Other public sector securities	-	629	-			
	25	21,405	388			
Issued by banks:						
Certificates of deposit	-	4,670	44			
Other debt securities	-	15,135	864			
	-	19,805	908			
Issued by corporate entities and other issuers:						
Other debt securities	-	9,345	3,508			
Total debt securities	25	50,555	4,804			
Of which:						
Listed on a recognised UK exchange	-	1,443	285 [1]	140	-	1,868
Listed elsewhere	25	14,937	1,081 [1]	830	6,574	23,447
Unlisted	-	34,175	3,438	1,547	11,321	50,481
	25	50,555	4,804	2,517	17,895	75,796
Market value of listed securities	25	16,380	1,348	970	6,574	25,297
Investment securities pledged subject to sale and repurchase transactions	-	430	73	-	1,090	1,593

[1] These debt securities listed or registered on a recognised UK exchange or elsewhere, thinly traded or the market for these securities is illiquid.

	2009					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables[1] $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	31	16,825	392			
Other public sector securities	-	1,530	18			
	31	18,355	410			
Issued by banks:						
Certificates of deposit	-	5,875	1,795			
Other debt securities	-	17,445	1,852			
	-	23,320	3,647			
Issued by corporate entities and other issuers :						
Other debt securities	-	6,758	2,600			
Total debt securities	31	48,433	6,657			
Of which:						
Listed on a recognised UK exchange	-	5,180	374 [2]	105	-	5,659
Listed elsewhere	29	17,451	913 [2]	289	5,241	23,923
Unlisted	2	25,802	5,370	1,255	13,717	46,146
	31	48,433	6,657	1,649	18,958	75,728
Market value of listed securities	29	22,631	1,270	394	5,241	29,565
Investment securities pledged subject to sale and repurchase transactions	-	618	-	72	547	1,237

[1] These debt securities listed or registered on a recognised UK exchange or elsewhere, thinly traded or the market for these securities is illiquid.

[2] Amounts have been reclassified as set out in note 33

Equity shares largely comprise investments in corporates.

16. Investment securities continued

The change in the carrying amount of investment securities comprised:

	2010				2009			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
At 1 January	**55,121**	**1,649**	**18,958**	**75,728**	51,036	1,593	16,713	69,342
Exchange translation differences	**1,403**	**10**	**483**	**1,896**	1,635	20	539	2,194
Acquisitions	**-**	**-**	**-**	**-**	-	1	-	1
Additions	**78,225**	**757**	**35,094**	**114,076**	86,712	369	42,658	129,739
Maturities and disposals	**(79,595)**	**(279)**	**(36,784)**	**(116,658)**	(84,857)	(807)	(41,014)	(126,678)
Impairment, net of recoveries on disposal	**(24)**	**(9)**	**-**	**(33)**	(81)	8	-	(73)
Changes in fair value (including the effect of fair value hedging)	**355**	**389**	**46**	**790**	29	465	(53)	441
Amortisation of discounts and premiums	**(101)**	**-**	**98**	**(3)**	647	-	115	762
At 31 December	**55,384**	**2,517**	**17,895**	**75,796**	55,121	1,649	18,958	75,728

At 31 December 2010, unamortised premiums on debt securities held for investment purposes amounted to $430 million (2009: $669 million) and unamortised discounts amounted to $397 million (2009: $725 million). Income from listed equity shares amounted to $8 million (2009: $12 million) and income from unlisted equity shares amounted to $45 million (2009: $97 million).

17. Other assets

	2010 $million	2009 $million
Financial assets held at amortised cost (note 11) :		
Hong Kong SAR Government certificates of indebtedness (note 22)	**4,063**	3,414
Cash collateral	**5,620**	4,557
Acceptances and endorsements	**4,847**	3,080
Unsettled trades and other financial assets	**5,098**	1,617[1]
	19,628	12,668
Non-financial assets		
Commodities	**2,852**	2,763
Other	**2,876**	1,770[1]
	25,356	17,201

[1] Unsettled trades and other financial assets previously included within non-financial assets have been reclassified.

The Hong Kong SAR government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued.

18. Business Combinations

2010 acquisitions

On 12 April 2010, the Group acquired 100 per cent of the consumer finance business of GE Capital (Hong Kong) Limited, a Hong Kong (restricted licence) banking company. The Group purchased this interest for $144 million, recognising goodwill of $3 million.

On 2 August 2010, the Group acquired 100 per cent of the consumer finance business of GE Commercial Financing (Singapore) Limited in Singapore. The businesses were acquired for $70 million and goodwill of $14 million was recognised.

On 1 October 2010 the Group purchased the remaining 25.1 per cent interest in Standard Chartered STCI Capital Markets (STCI) for $18 million. By virtue of this transaction STCI became a subsidiary of the Group. The fair value of the 74.9 per cent interest held by the Group at 1 October 2010, which is included in the purchase consideration, was $55 million. As required by IFRS 3 – 'Business Combinations', the Group recognised a gain (net of foreign exchange) of $4 million within 'Other operating income' from remeasuring the 74.9 per cent interest held by the Group to fair value. Following this transaction, goodwill relating to STCI increased to $75 million.

Between 31 October 2010 and 5 December 2010 the Group acquired the custody business of Barclays Bank PLC across various locations in Africa. The business was acquired for $130 million and goodwill of $21 million was recognised.

If the acquisitions had occurred on 1 January 2010, the operating income of the Group would have been approximately $16,099 million and profit before taxation would have been approximately $6,135 million.

The assets and liabilities arising from the acquisitions are as follows:

	Fair value $million	Acquiree's carrying amount $million
Cash and balances at central banks	20	20
Loans and advances to banks	6	6
Loans and advances to customers	894	901
Investment securities	2	2
Intangibles other than goodwill	112	-
Deferred tax assets	4	12
Other assets	16	26
Total assets	1,054	967
Other liabilities	737	736
Accruals and deferred income	11	11
Total liabilities	748	747
Net assets acquired	306	220
Purchase consideration settled in cash	(364)	
Cash and cash equivalents in subsidiary acquired	20	
Cash outflow on acquisition	(344)	
Purchase consideration:		
Cash paid	364	
Fair value of interest held prior to change in control	55	
Fair value of net assets acquired	(306)	
Goodwill	113	
Intangible assets acquired:		
Customer relationships	112	
Total	112	
Contribution from date of acquisition to 31 December 2010		
Operating income	22	
Profit before taxation	8	

The fair value amounts contain some provisional balances which will be finalised within 12 months of the acquisition date.

As part of the business combinations $7 million of intercompany liabilities were acquired and deemed to be settled.

Acquisition related costs of $3 million are included within operating expenses.

The fair value of loans to banks is $6 million. The gross contractual amount due is $6 million, of which $nil million is the best estimate of the contractual cash flows not expected to be collected.

The fair value of loans to customers is $894 million. The gross contractual amount due is $907 million, of which $15 million is the best estimate of the contractual cash flows not expected to be collected.

Goodwill arising on the acquisitions are attributable to the synergies expected to arise from the integration with the Group and to those intangibles which are not recognised separately. The primary reason for the acquisitions is to enhance capability and for strategic intent.

18. Business Combinations continued

2009 acquisitions

On 30 January 2009, the Group acquired 100 per cent of the share capital of Cazenove Asia Limited (subsequently renamed Standard Chartered Securities (Hong Kong) Limited), a leading Asian equity capital markets, corporate finance and institutional brokerage business.

On 30 June 2009, the Group acquired the remaining 75 per cent non-controlling interest in First Africa, for a consideration of $13 million. Goodwill of $5 million was recognised and $5 million of customer relationship intangibles identified.

During 2009 the Group acquired a further 2 per cent interest in its subsidiary in Ghana for an additional $8 million generating goodwill of $6 million.

At 31 December 2009, under the requirements of IFRS 3 'Business Combinations', the Group was deemed to have paid contingent consideration of $41 million in respect of its 2005 acquisition of Korea First Bank (subsequently renamed SC First Bank), and consequently additional goodwill of $41 million has been recognised.

If the acquisitions had occurred on 1 January 2009 the operating income of the Group would have been approximately $15,184million and profit before taxation would have been approximately $5,147 million.

The assets and liabilities arising from the acquisition of Cazenove Asia were as follows:

	Fair value $million	Acquiree's carrying amount $million
Loans and advances to banks	34	34
Investment securities	1	1
Intangibles other than goodwill	9	-
Property, plant and equipment	1	1
Other assets	45	45
Total assets	90	81
Other liabilities	39	39
Accruals and deferred income	7	7
Retirement benefit obligations	2	2
Total liabilities	48	48
Net assets acquired	42	33
Purchase consideration settled in cash	(73)	
Cash and cash equivalents in subsidiary acquired	31	
Cash outflow on acquisition	(42)	
Purchase consideration :		
Cash paid	73	
Fair value of net assets acquired	(42)	
Goodwill	31	
Intangible assets acquired:		
Customer relationships	9	
Total	9	
Contribution from acquisition to 31 December 2009:		
Operating income	39	
Loss before taxation	(3)	

Goodwill arising on the acquisitions is attributable to the synergies expected to arise from their integration with the Group and to those intangibles which are not recognised separately, such as the acquired workforce.

19. Deposits by banks

	2010 $million	2009 $million
Deposits by banks	**28,551**	38,461
Deposits by banks included within:		
Financial liabilities held at fair value through profit or loss (note 11)	**923**	482
Total deposits by banks	**29,474**	38,943

20. Customer accounts

	2010 $million	2009 $million
Customer accounts	**306,992**	251,244
Customer accounts included within:		
Financial liabilities held at fair value through profit or loss (note 11)	**9,510**	5,502
Total customer accounts	**316,502**	256,746

21. Debt securities in issue

	2010			2009		
	Certificates of deposit of $100,000 or more $million	**Other debt securities in issue $million**	**Total $million**	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	**9,021**	**22,360**	**31,381**	10,611	18,661	29,272
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 11)	**207**	**3,103**	**3,310**	865	3,122	3,987
Total debt securities in issue	**9,228**	**25,463**	**34,691**	11,476	21,783	33,259

22. Other liabilities

	2010 $million	2009 $million
Financial liabilities held at amortised cost (note 11)		
Notes in circulation	**4,063**	3,414
Acceptances and endorsements	**4,774**	2,963
Cash collateral	**2,527**	2,136
Unsettled trades and other financial liabilities	**4,526**	2,538[1]
	15,890	11,051
Non-financial liabilities		
Cash-settled share based payments	**128**	104
Other liabilities	**5,076**	4,984[1]
	21,094	16,139

[1] Unsettled trades and other financial liabilities previously included within non-financial liabilities have been reclassified.

Hong Kong currency notes in circulation of $4,063 million (2009: $3,414 million) which are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 17).

23. Subordinated liabilities and other borrowed funds

	2010 $million	2009 $million
Subordinated liabilities and other borrowed funds	**15,939**	16,730

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.

Of the total subordinated liabilities and other borrowings, $11,611 million is at fixed interest rates (2009: $11,564 million).

On 4 February 2010, Standard Chartered Bank exercised its right to redeem its $500 million subordinated floating rate notes in full on the first optional call date.

On 23 March 2010, Standard Chartered Capital Trust I, a special purpose entity of the Group, redeemed its EUR 500 million 8.16 per cent Non-Cumulative Trust Preferred Securities.

On 24 June 2010, Standard Chartered Bank (Hong Kong) Limited issued $750 million 5.875 per cent fixed rate subordinated notes due June 2020.

As at 30 June 2010, Standard Chartered Bank (Taiwan) Limited had redeemed its TWD 10 billion undated floating rate notes.

On 20 July 2010, Standard Chartered Bank (Pakistan) Limited partly redeemed PKR 339 million of its PKR 750 million Floating Rate Notes 2011.

On 31 October 2010, Standard Chartered Bank (Tanzania) Limited issued TZS 10 billion 11 percent subordinated notes callable (2015).

On 6 December 2010, Standard Chartered Bank (Uganda) Limited issued UGX 40 billion 13 per cent fixed interest rate notes callable (2020).

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 $million	Other non-controlling interests $million	Total $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 $million	2009 [1] $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 $million	2009 $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

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:

Investor Relations, Standard Chartered PLC, 1 Basinghall Avenue, London, EC2V 5DD or from our website on http://investors.standardchartered.com

For further information please contact:

Gavin Laws, Group Head of Corporate Affairs

+44 20 7885 7168

Stephen Atkinson, Head of Investor Relations

+44 20 7885 7245

Ashia Razzaq, Head of Investor Relations, Asia Pacific

+852 2820 3958

Tim Baxter, Head of Corporate Communications

+44 20 7885 5573

Jon Tracey, Head of Media Relations

+44 20 7885 7163

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.

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