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STANDARD CHARTERED PLC

*(Incorporated in England and Wales and registered as a public limited company)
(Stock Code: 2888)*

STANDARD CHARTERED PLC RESULTS FOR 2004 RESTATED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Restatement of primary financial information and the provision of pro-forma financial information for 2004 under International Financial Reporting Standards

From 1 January 2005, Standard Chartered PLC and its subsidiaries (the Group) is required by European Directives to report its consolidated financial statements under International Financial Reporting Standards (IFRS), as endorsed by the European Union. As part of this transition, the Group is presenting today a restatement of its 2004 results under IFRS. This will form the comparative to the 2005 Interim Report and the 2005 Annual Report.

Effect of restatement

- The effect of the restatement is modest.
- Profit before tax changes by 4 per cent to \$2,251 million from \$2,158 million.
- Normalised earnings per share is 124.6 cents compared to 125.9 cents.
- Normalised return of equity is 18.6 per cent compared to 20.1 per cent.
- Normalised cost ratio changes to 54.0 per cent from 53.5 per cent.
- Total capital ratio changes to 15.2 per cent from 15.0 per cent.

The principal accounting policy changes from the transition to IFRS are:

- recording the cost of share options awarded to employees on a fair value basis;
- ceasing goodwill amortisation;
- not accruing a liability for dividends that have not been declared and approved;
- consolidating certain assets and liabilities previously permitted to be reported off balance sheet; and
- tax effecting IFRS adjustments.

Peter Sands, Finance Director, commented:

"The transition to IFRS has had a limited impact on the restated 2004 results. IFRS does not change net cash flows, the underlying economics of our business or the way we take commercial decisions."

Pro-forma financial information

The Group has excluded the effects of IAS 39 'Financial Instruments: recognition and measurement' and IAS 32 'Financial instruments: disclosure and presentation' from the restated 2004 results, as permitted in the transitional rules. However, pro-forma financial information including the impact of IAS 32 and 39 has been included for illustrative purposes.

The principal changes arising out of IAS 32 and IAS 39 are:

- reclassification between liabilities and shareholders' funds of certain subordinated securities and preference shares;
- recording interest on a 'level yield' basis;
- recording all derivatives at fair value on the balance sheet;
- new classification of assets and liabilities and related measurement requirements;
- recording bad debt charges for time-value discount provisions and portfolio specific provisions; and
- grossing up of balance sheet for items no longer permitted to be netted.

Unless another currency is specified, the word "dollar" or symbol "\$" in this document means United States dollar.

References to IFRS throughout this document refer to the application of International Accounting Standards and International Financial Reporting Standards.

STANDARD CHARTERED PLC – 2004 RESTATEMENT UNDER IFRS

Restatement of primary financial information and the provision of pro-forma financial information for 2004 under International Financial Reporting Standards

Introduction

Standard Chartered PLC and its subsidiaries (the Group) has for accounting periods up to 31 December 2004 prepared its primary consolidated financial statements under UK Generally Accepted Accounting Principles (UK GAAP). From 1 January 2005, the Group is required by European Directives to report its consolidated financial statements under International Financial Reporting Standards (IFRS), as endorsed by the European Union. Our first published results under IFRS will be the 2005 Interim Report.

This press release explains the restatement of the Group's 2004 results under IFRS that will be presented as the comparatives in the 2005 Interim and Annual Report. The Group has excluded the effects of IAS 39 'Financial Instruments: Recognition and measurement' and IAS 32 'Financial instruments: disclosure and presentation' from the restated 2004 results, as permitted in the transitional rules. However, pro-forma financial information including the impact of IAS 32 and 39 is presented in Appendix 3 for illustrative purposes. Other transitional arrangements are set out below.

Basis of preparation

The directors are responsible for the restated financial information which has been prepared on the basis of EU endorsed IFRS and those expected to be applicable at 31 December 2005. These are subject to ongoing review and endorsement by the EU or possible amendment by interpretative guidance from the International Accounting Standards Board (IASB) and are therefore still subject to change. We will update our restated information for any such changes should they occur.

The financial information for the full year ended 31 December 2004, as prepared on the above basis, has been audited by KPMG Audit Plc. They have also reviewed the financial information for the half year. Their reports to the Company are set out in Appendices 2A and 2B. Subject to EU endorsement of outstanding standards and no further changes from the International Accounting Standards Board (IASB), this information is expected to form the basis for comparatives when reporting financial results for 2005, and for subsequent reporting periods.

The financial information included in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The consolidated statutory accounts for Standard Chartered PLC in respect of the year ended 31 December 2004, on which the auditors made a report under section 235 of the Companies Act 1985, have been delivered to the registrar of companies. The auditors' report in respect of the statutory accounts for the year ended 31 December 2004 was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Overview of impact of restatement of 2004 results

	H1 2004			2004		
	UK GAAP	IFRS	Change	UK GAAP	IFRS	Change
Profit before taxation (\$m)	1,106	1,107	1	2,158	2,251	93
Profit attributable to ordinary shareholders (\$m)	717	727	10	1,421	1,520	99
Shareholders' funds (\$m)	8,005	8,232	227	8,435	9,105	670
EPS – normalised basis	57.9c	57.1c	(0.8)c	125.9c	124.6c	(1.3)c
RoE – normalised	19.1%	18.0%	(100)bp	20.1%	18.6%	(150)bp
Total assets (\$bn)	129.1	132.6	3.5	141.7	147.1	5.4

The most significant elements contributing to the change in financial information for 2004 are:

- recording the cost of share options awarded to employees on a fair value basis;
- ceasing goodwill amortisation;
- not accruing a liability for dividends that have not been declared and approved;
- consolidating certain assets and liabilities previously permitted to be reported off balance sheet; and
- tax effecting IFRS adjustments.

Details of adjustment by type are set out in Appendices 1E – 1I and are explained below.

Transitional arrangements

The rules for first time adoption of IFRS are set out in IFRS 1 “First-time Adoption of International Financial Reporting Standards”. In general a company is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. The standard allows a number of exceptions to this general principle to assist companies as they transition to reporting under IFRS. Where the Group has taken advantage of these exemptions they are noted below.

Explanation of IFRS income statement and balance sheet adjustments

1. Dividends: IAS 10 Events after the balance sheet date

UK GAAP:

Under UK GAAP proposed dividends at the half-year and year-end were accrued although there is no obligation to pay until the dividend is declared.

IFRS:

Under IAS 10, assets and liabilities should be adjusted for subsequent events that existed at the balance sheet date, but not for events that are indicative of conditions that arose subsequent to the balance sheet date. The main effect of this is that under IAS 10, entities are not permitted to recognise a liability for dividends declared after the balance sheet date.

Impact:

Interim and final dividends are now recorded as an appropriation of shareholders' funds in the period that they are declared by the Board. Shareholders' funds increase by \$208 million and \$532 million as at 30 June 2004 and 31 December 2004 respectively. This is the single largest item that affects equity, but is only a timing difference.

2. Goodwill: IFRS 3 Business combinations

UK GAAP:

Purchased goodwill is capitalised and amortised to nil, on a straight-line basis, over its estimated useful life. The amortisation period was up to 20 years.

IFRS:

IFRS 3 prohibits the amortisation of goodwill. The standard requires goodwill to be carried at cost with impairment reviews both annually and when there are indications that the carrying value may not be recoverable. After transition, the balance remains on the Group's balance sheet unless it becomes impaired. If impairment occurs, a charge to the income statement will be made for the difference between the carrying amount and the realisable value of the goodwill.

Under the transitional arrangements of IFRS 1 a company has the option of applying IFRS 3 prospectively from the transition date to IFRS. The Group has chosen this option rather than to restate previous business combinations.

Impact:

The amount of \$181 million that was charged to profit and loss under UK GAAP for 2004 in respect of goodwill amortisation has been reversed, net of an impairment charge of \$67 million (net reversal \$114 million). The goodwill balance of \$1.9 billion at 1 January 2004 under UK GAAP has been taken as the IFRS opening balance at this date. The Group will review for impairment at each reporting date.

3. Fixed assets: IAS 16 Property, plant and equipment, IAS 17 Leases, and IAS 38 Intangible assets

UK GAAP:

- a) Freehold and long leasehold premises were included in the accounts at their historical cost or at the amount of any subsequent valuation. Freehold premises are amortised on a straight-line basis over the estimated residual lives. Leasehold premises are amortised over the remaining term of each lease, also on a straight-line basis.
- b) Downward revaluations were permitted to be charged to the revaluation reserve to the extent that it is not an impairment or a clear consumption of economic benefits.
- c) UK GAAP requires leasehold property that was classified as a finance lease to be treated as if it were a purchased fixed asset, including the minimum lease payments on the land element.
- d) Capitalised software was classified as fixed assets.

IFRS:

- a) The Group has elected under the transitional provisions of IFRS 1 to cease revaluing freehold and long leasehold premises and to use the carrying amount as at 1 January 2004 as 'deemed cost'.
- b) IFRS requires all negative revaluations to be charged to the income statement to the extent that there is not a previous positive revaluation.
- c) IFRS does not permit land to be classified as a finance lease unless certain conditions are met, including title transferring to the lessor at the end of the lease. Revaluations relating to the land element are reversed if they are classified as operating leases. The Group has reclassified the land element of all leased premises as operating leases where the conditions for recording them as a finance lease has not been met.
- d) Capitalised software is classified as intangible assets under IAS 38.

Impact:

- a) No adjustments are required to restate 2004 financial statements from ceasing revaluation.
- b) Negative revaluations of \$81 million have been transferred from the revaluation reserve to retained earnings. There is no net profit impact.
- c) \$88 million of minimum lease payments relating to the land element of leased premises has been reclassified from fixed assets to prepayments, less \$3 million of revaluation relating to land which has been reversed.
- d) \$224 million of capitalised software and work in progress has been reclassified to intangible assets. There is no net profit impact.

4. Share awards: IFRS 2 Share-based Payments

UK GAAP:

UK GAAP requires the intrinsic value, being the difference between the share price at the date of award and the strike price, to be taken to the income statement. This expense is recorded over the vesting period of each award within each scheme. Save As You Earn (SAYE) schemes were excluded from the requirements.

IFRS:

IFRS 2 requires that an expense for all share based payments (including SAYE schemes) be recognised in the income statement based on their fair value at the date of grant. This expense is recorded over the vesting period of each award within each scheme. For equity settled awards, the transition requirements permit only the restatement of awards made on or after 7 November 2002 (which have not vested at 1 January 2004). All cash settled awards must be restated. The Group has adopted a binomial model for calculating the fair value of share based awards under IFRS.

Impact:

For the year ended 31 December 2004, staff costs increase by \$23 million from applying IFRS. Because the vesting period for most equity settled awards is three years and equity settled awards made before 7 November 2002 were not restated under IFRS 2, the full impact of the new requirements will not be reflected in the income statement until 2005.

5. Consolidation of securitisations and investment funds: IAS 27 Consolidated and separate financial statements and SIC 12 Consolidation – Special Purpose Entities

UK GAAP:

FRS 5 permitted certain securitisations to be disclosed by means of a 'linked presentation' on the balance sheet and an investment fund managed by the Group was not recognised on the Group's balance sheet.

IFRS:

Under IFRS linked presentation is not permitted and investment funds managed by the Group are more likely to be consolidated.

Impact:

The stricter requirement of IFRS has resulted in assets amounting to \$4,211 million brought on to the balance sheet at 31 December 2004. Operating income and expenses have increased by \$9 million and \$5 million respectively for the year ended 31 December 2004.

6. Joint Ventures: IAS 31 Interest in Joint Ventures

UK GAAP:

Interests in joint ventures were stated at the Group's share of gross assets including attributable goodwill, less its share of gross liabilities.

IFRS:

Interests in jointly controlled entities are recognised using proportionate consolidation whereby the assets, liabilities, income and expenses are combined line by line with similar items in the Group's financial statements.

Impact:

Gross assets of \$1,070 million have been consolidated. There is no net impact on profit but operating income is increased by \$7 million, operating expenses by \$5 million and income from joint venture is reduced by \$2 million.

7. Tax: IAS 12 Income Tax

The adjustments made under IFRS have been tax effected. This resulted in a tax credit of \$7 million for the year ended 31 December 2004. The effective tax charge for 2004 as restated under IFRS is 28.0 per cent (UK GAAP 29.5 per cent). This arises mainly from the reversal of amortised goodwill.

8. Cash flow Statement: IAS 7 Cash Flow Statements

UK GAAP:

Cash is defined as "cash in hand and deposits repayable on demand". As at 31 December 2004 this amounted to \$4,351 million.

IFRS:

The movement in cashflows under IFRS are represented by cash and cash equivalents. Cash is defined as "cash on hand and demand deposits", similar to UK GAAP. Cash equivalents includes short term, highly liquid investments that are readily convertible to known amounts of cash. As at 31 December 2004 the total of cash and cash equivalents amounted to \$24,023 million.

Impact:

Although the definition and, therefore, the amount reported as cash is different between UK GAAP and IFRS, there is no change in the actual cashflows of the underlying business.

\$1,614 million of restricted cash balances held with central banks have been transferred from loans and advances to banks to cash and balances at central banks.

APPENDIX 1A

STANDARD CHARTERED PLC – FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Audited IFRS 31.12.04 \$m	Reviewed IFRS 30.06.04 \$m
Assets		
Cash and balances at central banks	3,960	3,447
Treasury bills and other eligible bills	4,425	5,978
Loans and advances to banks	17,382	17,387
Loans and advances to customers	72,159	63,743
Debt securities	32,842	28,900
Equity shares	253	179
Intangible fixed assets	2,353	2,154
Property, plant and equipment	555	525
Deferred tax assets	272	251
Prepayments, accrued income and other assets	12,877	10,084
Total assets	147,078	132,648
Liabilities		
Deposits by banks	15,814	16,999
Customer accounts	85,458	78,219
Debt securities in issue	11,627	9,985
Current tax liabilities	295	258
Accruals, deferred income and other liabilities	17,047	12,402
Subordinated liabilities:		
Undated loan capital	1,588	1,572
Dated loan capital	5,180	4,351
Total liabilities	137,009	123,786

Equity		
Shareholders' funds	9,105	8,232
Minority interest	964	630
Total equity	10,069	8,862
Total equity and liabilities	147,078	132,648

APPENDIX 1B

SUMMARISED CONSOLIDATED INCOME STATEMENT For the year ended 31 December 2004

	Audited IFRS 12 months ended 31.12.04 \$m	Reviewed IFRS 6 months ended 30.06.04 \$m	Reviewed IFRS 6 months ended 31.12.04 \$m
Interest and similar income	5,312	2,568	2,744
Interest expense and similar charges	(2,130)	(1,017)	(1,113)
Net interest income	3,182	1,551	1,631
Other finance income	10	3	7
Fees and commissions income	1,614	793	821
Fees and commissions expense	(282)	(130)	(152)
Net trading income	651	333	318
Other operating income	207	175	32
	2,190	1,171	1,019
Total operating income	5,382	2,725	2,657
Administrative expenses:			
Staff	(1,559)	(793)	(766)
Premises	(321)	(158)	(163)
Other	(731)	(336)	(395)
Depreciation and amortisation	(238)	(123)	(115)
Total operating expenses	(2,849)	(1,410)	(1,439)
Operating profit before provisions	2,533	1,315	1,218
Impairment losses on loans and advances	(214)	(139)	(75)
Amounts written off fixed assets	(68)	(69)	1
Operating profit before taxation	2,251	1,107	1,144
Taxation	(630)	(331)	(299)
Operating profit after taxation	1,621	776	845
Minority interest	(43)	(20)	(23)
Profit for the period attributable to shareholders	1,578	756	822
Dividends on other equity interests	(58)	(29)	(29)
Dividends on ordinary equity shares	(630)	(429)	(201)
Retained profit	890	298	592
Basic earnings per share	129.6c	62.1c	67.5c
Diluted earnings per ordinary share	127.4c	61.1c	66.3c

APPENDIX 1C

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Audited IFRS 12 months ended 31.12.04 \$m	Reviewed IFRS 6 months ended 30.06.04 \$m
Cash flow from operating activities		
Operating profit before taxation	2,251	1,107
Adjustment for items not involving cash flow or shown separately		
Depreciation and amortisation of premises, plant and equipment	238	123
Gain on disposal of tangible fixed assets	(4)	(5)
Gain on disposal of investment securities	(164)	(159)
Amortisation of investments	(41)	18
Loss on disposal of subsidiary undertakings	–	(4)
Charge for bad and doubtful debts and contingent liabilities	214	139
Amounts written off fixed assets	68	69
Debts written off, net of recoveries	(504)	(74)
(Increase)/decrease in accruals and deferred income	80	(178)
Increase in prepayments and accrued income	(164)	(197)
Net (increase)/decrease in mark to market adjustment	(259)	473
Interest paid on subordinated loan capital	338	253
UK and overseas taxes paid	(573)	(271)
Net cash inflow from trading activities	1,480	1,294
Net increase in cheques in the course of collection	(45)	(83)
Net (increase)/decrease in treasury bills and other eligible bills	(78)	52
Net (increase) in loans and advances to banks and customers	(11,999)	(6,927)
Net increase in deposits from banks, customer accounts/debt securities in issue	15,004	12,103
Net increase in dealing securities	(2,118)	(286)
Net increase/(decrease) in other accounts	3,037	(18)
Net cash inflow from operating activities	5,281	6,135
Net cash flows from investing activities		
Purchase of tangible fixed assets	(240)	(95)
Acquisition of subsidiaries, net of cash acquired	(333)	–
Acquisition of treasury bills	(9,188)	(6,346)
Acquisition of debt securities	(75,353)	(33,931)
Acquisition of equity shares	(121)	(42)
Disposal of subsidiaries, associated undertakings and branches	6	6
Disposal of tangible fixed assets	51	53
Disposal and maturity of treasury bills	10,778	5,363
Disposal and maturity of debt securities	71,482	31,788
Disposal of equity shares	356	352
Dividend paid on minority shareholders of subsidiary undertakings	(17)	(3)
Net cash used in investing activities	(2,579)	(2,855)
Net cash (outflow)/inflow from financing activities		
Interest paid on subordinated loan capital	(338)	(253)
Gross proceeds from issue of subordinated loan capital	499	4
Repayment of subordinated liabilities	(25)	(21)
Dividends paid on preference shares	(58)	(29)
Equity dividends paid to members of the Company	(587)	(396)
Net cash outflow from financing activities	(509)	(695)

Net increase in cash and cash equivalents	2,193	2,585
Cash and cash equivalents at beginning of period	21,773	21,773
Effect of exchange rate changes on cash and cash equivalents	57	(39)
Cash and cash equivalents at end of period	24,023	24,319

APPENDIX 1D

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2004

	Audited IFRS 12 months ended 31.12.04 \$m	Reviewed IFRS 6 months ended 30.06.04 \$m	Reviewed IFRS 6 months ended 31.12.04 \$m
Operating profit after taxation	1,621	776	845
Exchange translation differences	96	(66)	162
Actuarial (loss)/gain on retirement benefits	(5)	15	(20)
Deferred tax on actuarial gain/(loss)	1	(5)	6
Deferred tax on items taken directly to reserves	19	24	(5)
Total recognised income and expense for the period	1,732	744	988
Attributable to:			
Equity holders of the parent	1,689	724	965
Minority interest	43	20	23
	1,732	744	988

APPENDIX 1E

RECONCILIATION OF SUMMARISED CONSOLIDATED BALANCE SHEET

At 31 December 2004

	UK GAAP 31.12.04 \$m	Dividends \$m	Goodwill \$m	Fixed assets \$m	Share options \$m	Consolidations \$m	Tax \$m	Cash/ cash equivalents \$m	Other \$m	Audited IFRS 31.12.04 \$m
Assets										
Cash and balances										
at central banks	2,269	-	-	-	-	77	-	1,614	-	3,960
Treasury bills and eligible bills	4,425	-	-	-	-	-	-	-	-	4,425
Loans and advances										
to banks	18,922	-	-	-	-	74	-	(1,614)	-	17,382
Loans and advances										
to customers	71,596	-	-	-	-	559	-	-	4	72,159
Debt securities	28,295	-	-	-	-	4,547	-	-	-	32,842
Equity shares	253	-	-	-	-	-	-	-	-	253
Interest in joint ventures	187	-	-	-	-	(187)	-	-	-	-
Intangible fixed assets	1,900	-	114	224	-	115	-	-	-	2,353
Property, plant and equipment	844	-	-	(312)	-	25	-	-	(2)	555
Deferred income tax assets	276	-	-	-	-	-	(4)	-	-	272
Prepayments, accrued income and other assets	12,721	-	-	85	-	71	-	-	-	12,877
Total assets	141,688	-	114	(3)	-	5,281	(4)	-	2	147,078

Liabilities									
Deposits by banks	15,813	-	-	-	-	1	-	-	15,814
Customer accounts	84,572	-	-	-	-	885	-	-	85,458
Debt securities in issue	7,378	-	-	-	-	4,249	-	-	11,627
Current tax liabilities	295	-	-	-	-	-	-	-	295
Accruals, deferred income and other liabilities	17,507	(532)	-	-	(16)	75	-	-	17,047
Subordinated liabilities:									
Undated loan capital	1,588	-	-	-	-	-	-	-	1,588
Dated loan capital	5,144	-	-	-	-	36	-	-	5,180
Total liabilities	132,297	(532)	-	-	(16)	5,246	-	-	137,009
Equity									
Share capital/premium and redemption reserve	3,818	-	-	-	-	-	-	-	3,818
Premises revaluation	(5)	-	-	81	-	-	-	-	76
Own shares held in ESOP Trust	(8)	-	-	-	-	-	-	-	(8)
Retained earnings	4,630	532	114	(84)	16	27	(4)	-	5,219
Minority interest	956	-	-	-	-	8	-	-	964
Total equity	9,391	532	114	(3)	16	35	(4)	-	10,069

APPENDIX 1F

RECONCILIATION OF SUMMARISED CONSOLIDATED BALANCE SHEET At 30 June 2004

	UK GAAP 30.06.04 \$m	Dividends \$m	Goodwill \$m	Fixed assets \$m	Share options \$m	Consolidations \$m	Tax \$m	Cash/ cash equivalents \$m	Other \$m	Reviewed IFRS 30.06.04 \$m
Assets										
Cash and balances at central banks	2,243	-	-	-	-	-	-	1,204	-	3,447
Treasury bills and eligible bills	5,978	-	-	-	-	-	-	-	-	5,978
Loans and advances to banks	18,587	-	-	-	-	4	-	(1,204)	-	17,387
Loans and advances to customers	63,671	-	-	-	-	72	-	-	-	63,743
Debt securities	25,515	-	-	-	-	3,385	-	-	-	28,900
Equity shares	179	-	-	-	-	-	-	-	-	179
Intangible fixed assets	1,895	-	21	238	-	-	-	-	-	2,154
Property, plant and equipment	794	-	-	(269)	-	-	-	-	-	525
Deferred tax assets	256	-	-	-	-	-	(5)	-	-	251
Prepayments, accrued income and other assets	10,017	-	-	28	-	39	-	-	-	10,084
Total assets	129,135	-	21	(3)	-	3,500	(5)	-	-	132,648
Liabilities										
Deposits by banks	16,999	-	-	-	-	-	-	-	-	16,999
Customer accounts	78,219	-	-	-	-	-	-	-	-	78,219
Debt securities in issue	6,579	-	-	-	-	3,406	-	-	-	9,985
Current tax liabilities	259	-	-	-	-	-	(1)	-	-	258
Accruals, deferred income and other liabilities	12,525	(208)	-	-	(10)	73	-	-	22	12,402

Subordinated liabilities:										
Undated loan capital	1,572	-	-	-	-	-	-	-	-	1,572
Dated loan capital	4,351	-	-	-	-	-	-	-	-	4,351
Total liabilities	120,504	(208)	-	-	(10)	3,479	(1)	-	22	123,786
Equity										
Share capital/premium and redemption reserve	3,778	-	-	-	-	-	-	-	-	3,778
Premises revaluation	-	-	-	81	-	-	-	-	-	81
Own shares held in ESOP Trusts	(74)	-	-	-	-	-	-	-	-	(74)
Retained earnings	4,301	208	21	(84)	10	17	(4)	-	(22)	4,447
Minority interest	626	-	-	-	-	4	-	-	-	630
Total equity	8,631	208	21	(3)	10	21	(4)	-	(22)	8,862

APPENDIX 1G

RECONCILIATION OF SUMMARISED CONSOLIDATED INCOME STATEMENT For the year ended 31 December 2004

	UK GAAP 12 months ended 31.12.04 \$m	Dividends \$m	Goodwill \$m	Fixed assets \$m	Share options \$m	Consolidations \$m	Tax \$m	Other \$m	Audited IFRS 12 months ended 31.12.04 \$m
Interest and similar income	5,232	-	-	-	-	77	-	3	5,312
Interest expense and similar charges	(2,064)	-	-	-	-	(66)	-	-	(2,130)
Net interest income	3,168	-	-	-	-	11	-	3	3,182
Other finance income	10	-	-	-	-	-	-	-	10
Fees and commissions income	1,617	-	-	-	-	1	-	(4)	1,614
Fees and commissions expense	(283)	-	-	-	-	1	-	-	(282)
Net trading income	648	-	-	-	-	-	-	3	651
Other operating income	207	-	-	-	-	3	-	(3)	207
	2,189	-	-	-	-	5	-	(4)	2,190
Total operating income	5,367	-	-	-	-	16	-	(1)	5,382
Administrative expenses:									
Staff	(1,534)	-	-	-	(23)	(2)	-	-	(1,559)
Premises	(321)	-	-	-	-	-	-	-	(321)
Other	(721)	-	-	(1)	-	(8)	-	(1)	(731)
Depreciation and amortisation	(420)	-	181	1	-	-	-	-	(238)
Total operating expenses	(2,996)	-	181	-	(23)	(10)	-	(1)	(2,849)
Operating profit before provisions	2,371	-	181	-	(23)	6	-	(2)	2,533
Impairment losses on loans and advances	(214)	-	-	-	-	-	-	-	(214)
Income from joint venture	2	-	-	-	-	(2)	-	-	-
Amounts written off fixed assets	(1)	-	(67)	-	-	-	-	-	(68)
Operating profit before taxation	2,158	-	114	-	(23)	4	-	(2)	2,251
Taxation	(637)	-	-	-	-	-	7	-	(630)
Operating profit after taxation	1,521	-	114	-	(23)	4	7	(2)	1,621
Minority interest	(42)	-	-	-	-	(1)	-	-	(43)

Profit for the period attributable to shareholders	1,479	-	114	-	(23)	3	7	(2)	1,578
Dividends on other equity interests	(58)	-	-	-	-	-	-	-	(58)
Dividends on ordinary equity shares	(725)	95	-	-	-	-	-	-	(630)
Retained profit	696	95	114	-	(23)	3	7	(2)	890

APPENDIX 1H

RECONCILIATION OF SUMMARISED CONSOLIDATED INCOME STATEMENT For the six months ended 30 June 2004

	UK GAAP 6 months ended 30.06.04 \$m	Dividends \$m	Goodwill \$m	Fixed assets \$m	Share options \$m	Consolidations \$m	Tax \$m	Other \$m	Reviewed IFRS 6 months ended 30.06.04 \$m
Interest and similar income	2,543	-	-	-	-	23	-	2	2,568
Interest expense and similar charges	(997)	-	-	-	-	(20)	-	-	(1,017)
Net interest income	1,546	-	-	-	-	3	-	2	1,551
Other finance income	3	-	-	-	-	-	-	-	3
Fees and commissions income	795	-	-	-	-	-	-	(2)	793
Fees and commissions expense	(130)	-	-	-	-	-	-	-	(130)
Net trading income	332	-	-	-	-	-	-	1	333
Other operating income	176	-	-	-	-	-	-	(1)	175
	1,173	-	-	-	-	-	-	(2)	1,171
Total operating income	2,722	-	-	-	-	3	-	-	2,725
Administrative expenses:									
Staff	(774)	-	-	-	(12)	-	-	(7)	(793)
Premises	(158)	-	-	-	-	-	-	-	(158)
Other	(332)	-	-	-	-	(3)	-	(1)	(336)
Depreciation and amortisation	(211)	-	88	-	-	-	-	-	(123)
Total operating expenses	(1,475)	-	88	-	(12)	(3)	-	(8)	(1,410)
Operating profit before provisions	1,247	-	88	-	(12)	-	-	(8)	1,315
Impairment losses on loans and advances	(139)	-	-	-	-	-	-	-	(139)
Amounts written off fixed assets	(2)	-	(67)	-	-	-	-	-	(69)
Operating profit before taxation	1,106	-	21	-	(12)	-	-	(8)	1,107
Taxation	(340)	-	-	-	-	2	7	-	(331)
Operating profit after taxation	766	-	21	-	(12)	2	7	(8)	776
Minority interest	(20)	-	-	-	-	-	-	-	(20)
Profit for the period attributable to shareholders	746	-	21	-	(12)	2	7	(8)	756
Dividends on other equity interests	(29)	-	-	-	-	-	-	-	(29)
Dividends on ordinary equity shares	(201)	(228)	-	-	-	-	-	-	(429)
Retained profit	516	(228)	21	-	(12)	2	7	(8)	298

APPENDIX 11

RECONCILIATION OF EQUITY At 1 January 2004

Equity	UK GAAP 01.01.04 \$m	Dividends \$m	Fixed assets \$m	Share options \$m	Consolidation \$m	Tax \$m	Other \$m	Audited IFRS 01.01.04 \$m
Share capital/premium and redemption reserve	3,768	-	-	-	-	-	-	3,768
Premises revaluation	(2)	-	81	-	-	(22)	-	57
Own shares held in ESOP Trusts	(60)	-	-	-	-	-	-	(60)
Profit and loss account	3,823	439	(84)	(3)	25	(9)	(9)	4,182
Minority interest	614	-	-	-	6	-	-	620
	8,143	439	(3)	(3)	31	(31)	(9)	8,567

APPENDIX 1J

SEGMENTAL INFORMATION BY GEOGRAPHIC SEGMENT For the year ended 31 December 2004

UK GAAP	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m	India \$m	MESA UAE \$m	Other \$m	Africa \$m	US, UK & Group \$m	Total \$m
Net Revenue	1,408	513	270	815	466	271	377	584	663	5,367
Costs	(654)	(226)	(144)	(510)	(251)	(99)	(169)	(357)	(586)	(2,996)
Operating profit before provision	754	287	126	305	215	172	208	227	77	2,371
Charge for debts Impairment/other	(125)	(33)	(2)	(40)	(22)	(1)	(1)	(12)	22	(214)
	-	-	-	2	2	-	-	-	(3)	1
Operating profit before taxation	629	254	124	267	195	171	207	215	96	2,158
Change										
Operating income	(2)	-	-	10	-	-	-	-	7	15
Operating expenses	(4)	(2)	(1)	(8)	(1)	(1)	(1)	(3)	168	147
Operating profit before provision	(6)	(2)	(1)	2	(1)	(1)	(1)	(3)	175	162
Charge for debts Impairment/other	-	-	-	-	-	-	-	-	-	-
	-	-	-	(2)	-	-	-	-	(67)	(69)
Operating profit before taxation	(6)	(2)	(1)	-	(1)	(1)	(1)	(3)	108	93
Audited IFRS										
Operating income	1,406	513	270	825	466	271	377	584	670	5,382
Operating expenses	(658)	(228)	(145)	(518)	(252)	(100)	(170)	(360)	(418)	(2,849)
Operating profit before provision	748	285	125	307	214	171	207	224	252	2,533
Charge for debts Impairment/other	(125)	(33)	(2)	(40)	(22)	(1)	(1)	(12)	22	(214)
	-	-	-	-	2	-	-	-	(70)	(68)
Operating profit before taxation	623	252	123	267	194	170	206	212	204	2,251

APPENDIX 1K

SEGMENTAL INFORMATION BY CLASS OF BUSINESS For the year ended 31 December 2004

	Consumer Banking \$m	Wholesale Banking \$m	Corporate items not allocated \$m	Total \$m
UK GAAP				
Net revenue	2,693	2,566	108	5,367
Costs	(1,388)	(1,404)	(23)	(2,815)
Amortisation of goodwill			(181)	(181)
Total operating expenses	(1,388)	(1,404)	(204)	(2,996)
Operating profit/(loss) before provisions	1,305	1,162	(96)	2,371
Charge for debts	(242)	28	–	(214)
Amounts written off fixed assets		(1)	–	(1)
Income from joint venture	1	1	–	2
Operating profit/(loss) before taxation	1,064	1,190	(96)	2,158
Change				
Operating income	7	8	–	15
Costs	(12)	(22)	–	(34)
Amortisation of goodwill	–	–	181	181
Total operating expenses	(12)	(22)	181	147
Operating profit/(loss) before provisions	(5)	(14)	181	162
Charge for debts	–	–	–	–
Amounts written off fixed assets	–	–	(67)	(67)
Income from joint venture	(1)	(1)	–	(2)
Operating profit/(loss) before taxation	(6)	(15)	114	93
Audited IFRS				
Operating income	2,700	2,574	108	5,382
Total operating expenses	(1,400)	(1,426)	(23)	(2,849)
Operating profit/(loss) before provisions	1,300	1,148	85	2,533
Charge for debts	(242)	28	–	(214)
Amounts written off fixed assets	–	(1)	(67)	(68)
Operating profit/(loss) before taxation	1,058	1,175	18	2,251

APPENDIX 1L

EARNINGS PER ORDINARY SHARE

	12 months ended 31.12.04			6 months ended 30.06.04		
Earnings per Ordinary Share	IFRS Profit \$m	Average number of shares ('000)	Cents per share	IFRS Profit \$m	Average number of shares ('000)	Cents per share
Basic earnings per ordinary share	1,520	1,172,921	129.6	727	1,170,699	62.1
Effect of dilutive potential ordinary shares:						
Convertible bonds	23	34,488		11	34,488	
Options	–	3,444		–	2,252	
Diluted earnings per ordinary share	1,543	1,210,853	127.4	738	1,207,439	61.1

Normalised earnings per ordinary share

The Group measures earnings per share on a normalised basis.

The following table shows the calculation of normalised earnings per share, i.e. based on the Group's results excluding amounts written off fixed assets, profits/losses of a capital nature and profits/losses on repurchase of capital instruments.

	12 months ended 31.12.04 \$m	6 months ended 30.06.04 \$m
Profit attributable to ordinary shareholders, as above	1,520	727
Profit on sale of shares in – KorAm	(95)	(95)
– Bank of China	(36)	(36)
Premium and costs paid on repurchase of subordinated debt	23	21
Cost of Hong Kong incorporation	18	18
Tsunami donation	5	–
Profits less losses on disposal of investment securities	(33)	(28)
Profit on sale of tangible fixed assets	(4)	(4)
Profit on disposal of subsidiary undertakings	(4)	(4)
Amounts written off fixed assets	68	69
Normalised earnings	1,462	668
Normalised earnings per ordinary share	124.6c	57.1c

APPENDIX 2A

SPECIAL PURPOSE AUDIT REPORT OF KPMG AUDIT PLC TO STANDARD CHARTERED PLC ("THE COMPANY") ON ITS PRELIMINARY AND PRO FORMA PRELIMINARY INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") FINANCIAL INFORMATION

In accordance with the terms of our engagement letter dated 25 April 2005, we have audited the accompanying consolidated preliminary IFRS balance sheet of Standard Chartered PLC ("the Company") as at 31 December 2004, and the related consolidated statements of income, total recognised income and expense and cash flows for the year then ended and the related accounting policy notes ("the preliminary IFRS financial information") set out in Appendices 1A to 1L and Appendix 4. In addition we have been engaged to audit the pro forma preliminary IFRS financial information presented for the same year ended on the basis of the pro forma accounting policy notes set out in Appendices 3A to 3M and Appendix 5 ("the pro forma preliminary IFRS financial information"), together "the preliminary and pro forma preliminary IFRS financial information".

Respective responsibilities of directors and KPMG Audit Plc

As described in Restatement of primary financial information and the provision of pro-forma financial information for 2004 under International Financial Reporting Standards, the directors of the Company have accepted responsibility for the preparation of the preliminary and pro forma preliminary IFRS financial information which has been prepared as part of the Company's conversion to IFRS. Our responsibilities, as independent auditors, are established in the United Kingdom by the Auditing Practices Board, our profession's ethical guidance and the terms of our engagement.

Under the terms of engagement we are required to report to you our opinion as to whether the preliminary and pro forma preliminary IFRS financial information has been properly prepared, in all material respects, in accordance with the respective accounting policy notes to the preliminary and pro forma preliminary IFRS financial information. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information accompanying the preliminary and pro forma preliminary IFRS financial information and consider whether it is consistent with the preliminary and pro forma preliminary IFRS financial information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the preliminary and pro forma preliminary IFRS financial information.

Our report has been prepared for the Company solely in connection with the Company's conversion to IFRS. Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG Audit Plc will accept no responsibility or liability in respect of our report to any other party.

Basis of audit opinions

We conducted our audit having regard to Auditing Standards issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the preliminary and pro forma preliminary IFRS financial information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the preliminary and pro forma preliminary IFRS financial information, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the preliminary and pro forma preliminary IFRS financial information is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the preliminary and pro forma preliminary IFRS financial information.

Emphasis of matters

Without qualifying our opinion, we draw your attention to the following matters:

- The basis of preparation set out in Restatement of primary financial information and the provision of pro-forma financial information for 2004 under International Financial Reporting Standards explains why the accompanying preliminary IFRS financial information may require adjustment before inclusion as comparative information in the IFRS financial information for the year to 31 December 2005 when the Company prepares its first IFRS financial statements.
- As described in the basis of preparation set out in Restatement of primary financial information and the provision of pro-forma financial information for 2004 under International Financial Reporting Standards as part of its conversion to IFRS, the Company has prepared the preliminary IFRS financial information for the year ended 31 December 2004 to establish the financial position, results of operations and cash flows of the Company necessary to provide the comparative financial information expected to be included in the Company's first complete set of IFRS financial statements for the year to 31 December 2005. The preliminary IFRS financial information does not itself include comparative financial information for the prior period.
- As explained in the accounting policy notes, no adjustments have been made for any changes in estimates made at the time of approval of the UK GAAP financial statements on which the preliminary and pro forma preliminary IFRS financial information is based, as required by IFRS 1.
- IAS 32 and IAS 39 have not been applied to the preliminary IFRS financial information as permitted by IFRS 1. There has been no related restatement of the 31 December 2004 balance sheet. Any adjustments will be shown as an equity movement on 1 January 2005. The pro forma preliminary IFRS financial information has been prepared on the basis that IAS 32 and IAS 39 were applied.

Opinions

In our opinion, the accompanying preliminary IFRS financial information for the year ended 31 December 2004 has been prepared, in all material respects, in accordance with the basis set out in the accounting policy notes, which describe how IFRSs have been applied under IFRS 1, including the assumptions made by the directors of the Company about the standards and interpretations expected to be effective, and the policies expected to be adopted, when they prepare the first complete set of consolidated IFRS financial statements of the Company for the year to 31 December 2005.

In our opinion, the accompanying pro forma preliminary IFRS financial information for the year ended 31 December 2004 has been prepared, in all material respects, in accordance with the basis set out in the accounting policy notes, which describe how IFRSs have been applied under IFRS 1, including the assumptions made by the directors of the Company about the standards and interpretations expected to be effective, and the policies expected to be adopted, and were they to adopt IAS 32 and IAS 39 from 1 January 2004.

KPMG Audit Plc

Chartered Accountants

London

12 May 2005

APPENDIX 2B

SPECIAL PURPOSE REVIEW REPORT OF KPMG AUDIT PLC TO STANDARD CHARTERED PLC ("THE COMPANY") ON ITS PRELIMINARY AND PRO FORMA PRELIMINARY INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") INTERIM FINANCIAL INFORMATION

In accordance with the terms of our engagement letter dated 25 April 2005, we have reviewed the accompanying consolidated preliminary IFRS balance sheet of Standard Chartered PLC ("the Company") as at 30 June 2004, and the related consolidated statements of income, total recognised income and expense and cash flows for the six month period then ended and the related accounting policy notes ("the preliminary IFRS interim financial information") set out in Appendices 1A to 1L and Appendix 4. In addition we have been engaged to review the pro forma preliminary IFRS interim financial information presented for the same six month period on the basis of the pro forma accounting policy notes set out in Appendices 3A to 3M and Appendix 5 ("the pro forma preliminary IFRS interim financial information"), together "the preliminary and pro forma preliminary IFRS interim financial information".

Respective responsibilities of directors and KPMG Audit Plc

As described in Restatement of primary financial information and the provision of pro-forma financial information for 2004 under International Financial Reporting Standards the directors of the Company have accepted responsibility for the preparation of the preliminary and pro forma preliminary IFRS interim financial information which has been prepared as part of the Company's conversion to IFRS. Our responsibilities are established in the United Kingdom by the Auditing Practices Board, our profession's ethical guidance and the terms of our engagement.

Under the terms of engagement we are required to report to you our review conclusions as to whether we are aware of any material modifications that should be made to the preliminary and pro forma preliminary IFRS interim financial information which has been prepared, in all material respects, in accordance with the respective accounting policy notes to the preliminary and pro forma preliminary IFRS interim financial information.

We read the other information accompanying the preliminary and pro forma preliminary IFRS interim financial information and consider whether it is consistent with the preliminary and pro forma preliminary IFRS interim financial information. We consider the implications for our review conclusions if we become aware of any apparent misstatements or material inconsistencies with the preliminary and pro forma preliminary IFRS interim financial information.

Our report has been prepared for the Company solely in connection with the Company's conversion to IFRS. Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG Audit Plc will accept no responsibility or liability in respect of our report to any other party.

Basis of review conclusions

We conducted our review having regard to Bulletin 1999/4: *Review of interim financial information* issued by the UK Auditing Practices Board. A review consists principally of making enquiries of Group management and applying analytical procedures to the preliminary and pro forma preliminary IFRS interim financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the preliminary and pro forma preliminary IFRS interim financial information.

Emphasis of matters

Without qualifying our review conclusions, we draw your attention to the following matters:

- The basis of preparation set out in Restatement of primary financial information and the provision of pro-forma financial information for 2004 under International Financial Reporting Standards explains why the accompanying preliminary IFRS interim financial information may require adjustment before inclusion as comparative information in the Company's interim report for the six month period to 30 June 2005 when the Company prepares its first interim report applying IFRS.

- As described in the basis of preparation set out in Restatement of primary financial information and the provision of pro-forma financial information for 2004 under International Financial Reporting Standards, as part of its conversion to IFRS, the Company has prepared the preliminary IFRS interim financial information for the six month period ended 30 June 2004 to establish the financial position, results of operations and cash flows of the Company necessary to provide the comparative financial information expected to be included in the Company's first interim report for the six month period to 30 June 2005. The preliminary IFRS interim financial information does not itself include comparative financial information for the prior period.
- As explained in the accounting policy notes, no adjustments have been made for any changes in estimates made at the time of approval of the previous UK GAAP interim report for the six month period ended 30 June 2004 on which the preliminary and pro forma preliminary IFRS interim financial information is based, as required by IFRS 1.
- IAS 32 and IAS 39 have not been applied to the preliminary IFRS interim financial information as permitted by IFRS 1. There has been no related restatement of the 30 June 2004 balance sheet. Any adjustments will be shown as an equity movement on 1 January 2005. The pro forma preliminary IFRS interim financial information has been prepared on the basis that IAS 32 and IAS 39 were applied.

Review conclusions

On the basis of our review we are not aware of any material modifications that should be made to the preliminary IFRS interim financial information as presented for the six month period ended 30 June 2004 which has been prepared, in all material respects, in accordance with the basis set out in the accounting policy notes, which describe how IFRSs have been applied under IFRS 1, including the assumptions made by the directors of the Company about the standards and interpretations expected to be effective, and the policies expected to be adopted, when they prepare the first complete set of consolidated IFRS financial statements of the Company for the year to 31 December 2005.

On the basis of our review we are not aware of any material modifications that should be made to the pro forma preliminary IFRS interim financial information as presented for the six month period ended 30 June 2004 which has been prepared, in all material respects, in accordance with the basis set out in the accounting policies note, which describes how IFRSs have been applied under IFRS 1, including the assumptions made by the directors of the Company about the standards and interpretations expected to be effective, and the policies expected to be adopted, and were they to adopt IAS 32 and IAS 39 from 1 January 2004.

KPMG Audit Plc

Chartered Accountants

London

12 May 2005

APPENDIX 3

STANDARD CHARTERED PLC – PRO-FORMA FINANCIAL INFORMATION

The following pro-forma financial information is provided to illustrate the effects of IAS 39 'Financial instruments: Recognition and measurement' and IAS 32 'Financial instruments: disclosure and presentation' that has been excluded from the restated 2004 results. It does not form part of the restated 2004 results that will be presented as comparatives in the 2005 Interim Report. IAS 32 and 39 will be applied from 1 January 2005, with corresponding adjustments to opening reserves.

Basis of preparation

This pro-forma financial information complies in full with IAS 32 and 39 as endorsed by the EU.

Overview of IAS 32 and 39

IAS 32 and IAS 39 prescribe the accounting for, and financial reporting of, financial instruments. IAS 32 covers disclosure and presentation whilst IAS 39 covers recognition and measurement. The principal changes from UK GAAP are:

- reclassification between liabilities and shareholders' funds of certain subordinated securities and preference shares;
- recording interest on a 'level yield' or 'effective yield' basis;

- recording all derivatives at fair value on the balance sheet;
- new classifications of assets and liabilities and related measurement requirements;
- recording bad debt charges for time-value discount provisions and portfolio specific provisions; and
- grossing up of the balance sheet for financial instruments no longer permitted to be netted.

Explanation of pro-forma IAS 32 and 39 income statement and balance sheet adjustments

1. Debt/Equity classification

UK GAAP:

- a) UK GAAP required that where there was an obligation to deliver economic benefits, a financial instrument should be classified as a liability. Preference shares were required to be classified as a non-equity element of shareholders' funds.
- b) Convertible debt should be recorded as a liability and the conversion to equity should not be anticipated. Interest was recorded at the coupon rate of the debt.

IFRS:

- a) The IFRS definition of a liability is similar to UK GAAP but the legal obligation to deliver cash takes precedence over the judgements of substance used under UK GAAP. Where an obligation to deliver cash can be avoided, an instrument must be classified as equity.
- b) For convertible debt, the option to convert debt to equity is recognised separately from the host debt instrument. Convertible debt issued with a fixed conversion rate in a currency different to an entity's functional currency should be treated as a derivative liability and be fair valued at each period end. A discount is created when the option element is separated from the host debt and interest is recognised on the liability element at a market rate of interest for similar debt that does not have an option to convert to equity.

Impact:

- a) The Group has reclassified £300 million 8.103 per cent Step-Up Callable Perpetual Trust Preferred Securities from liabilities to equity. £195 million non-cumulative irredeemable preference shares have been reclassified from equity to liabilities. £200 million 2022 step up notes have been reclassified from liabilities to equity. The net effect is \$566 million transfers from liabilities to equity. A net interest expense of \$45 million is treated as an appropriation of distributable reserves instead of being presented as an interest expense.
- b) Interest expense for convertible debt has increased by \$12 million. A fair value gain of \$23 million was recorded on the conversion option derivative element. However, the Group's €575 million 4.5 per cent 2010 convertible notes were called and repaid by the Group on 18 April 2005 so these effects will not recur after that date.

2. Effective yield

UK GAAP:

Loan origination costs were generally expensed when incurred. Fees and commissions receivable were spread over the expected life of a loan where in substance they were part of the interest yield. Interest was recorded on an accrual basis, including when customers pay a lower-than-market rate of interest for a fixed period.

IFRS:

Interest is recognised on a 'level yield' basis, otherwise known as the effective yield. This means that substantially all income and costs that are incremental and directly attributable to loan origination are capitalised and amortised to interest income over the expected life of the loan. Additionally, customer interest rate discounts are spread over the expected life of the loan. If the expected life of loans change, IFRS requires the recalculation of the amortisation. Any cumulative differences between the amount amortised and the amount that should have been amortised under the new expected life must be recorded in the income statement.

The 'level yield' basis of interest recognition only changes the timing of recording loan origination income and expenses. It does not change the total net revenue and related cash due to the Group.

Impact:

The effect of this change is that an additional \$12 million has been recognised as net interest income from amortising capitalised fee income and costs. Net fees and commission income has increased by \$5 million due to capitalisation of current period fee income and costs. Retained earnings are increased by \$109 million, being the accumulated effect of capitalising costs from prior periods in transition to IFRS.

The rate of capitalisation of income and costs and amortisation will be affected by the several factors, including the rate of growth in the business, changes in the expected life of assets, and changes in products.

3. Derivatives and hedging

UK GAAP:

UK GAAP permitted derivatives that had been designated as being held for hedging purposes to be accounted for in a manner similar to the hedged item. That is, interest from derivative contracts was accrued to net interest income (NII) and revaluation to market or fair value was not required. All other derivative contracts were recorded at fair value ('marked to market' or 'MTM') in other assets and liabilities on the balance sheet.

Gains and losses arising from the de-designation of a hedge relationship were deferred and amortised to income over the original contractual period of the derivative or until the item formerly being hedged was sold, at which point the full deferred amount was recognised in income.

UK GAAP permitted assets and liabilities, and related income and expense, to be netted where there was a legal right of offset.

IFRS:

All derivatives must be recorded as assets or liabilities at their fair value and presented in separate lines of the balance sheet. Accounting for changes in fair values depends on the intended use of the derivative. All gains and losses are recorded in the income statement unless it is a derivative contract that is designated as a hedge against variability of cash flows (known as a 'cash flow hedge'). In this case, the MTM gain or loss is recorded in a reserves account until the change in cash flows of the underlying hedged item affects income, at which time it is transferred to the income statement.

Gains and losses arising from the de-designation of a cash flow hedge remain in equity and are released to income in line with the formerly hedged item. In respect of fair value hedges that are sold or terminated, fair value adjustments made to the underlying hedged item are amortised to income.

IAS 39 has a very strict definition of a qualifying hedge relationship and the recognition of hedge ineffectiveness. This makes it more difficult to establish and maintain hedge accounting. Where hedge accounting is not achieved or fails, earnings volatility results.

A description of the types of hedging is set out in Appendix 5.

Under IAS 32, a financial asset and financial liability shall be offset, and the net amount presented in the balance sheet, when an entity currently has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

Impact:

The accounting rules for fair valuing all derivatives is expected to cause some degree of earnings volatility in the future. Hedging relationships (as defined by IAS 39) might not be established even when the economic intent is clearly to hedge e.g. when using derivatives to mitigate risk on a portfolio basis. Although the Group will aim to minimise this volatility, our priority will be to ensure risk is managed effectively.

During 2004 the Group was managing risk within the framework of accounting permitted under UK GAAP. The Group has established new processes to evidence the relationship between derivatives and items being hedged.

On this basis, the impact of IAS 39 for 2004 is to decrease net interest income by \$6 million (from the net reversal of interest accruals), and reduce net trading income by \$4 million (to recognise the net fair value change of derivatives that are not cash flow hedges). Costs increased by \$44 million in 2004 because certain foreign exchange hedge contracts taken out in 2002 and 2003 did not meet transitional hedge accounting criteria. \$7,592 million and \$7,278 million of derivative assets and liabilities have been transferred to separate derivative asset and liability lines on the face of the balance sheet. Additionally, \$5,088 million and \$4,746 million has been added to derivative assets and liabilities representing the reversal of netting permitted under UK GAAP, and remeasurement. The Group's issued debt has been adjusted by \$225 million for fair value changes where fair value hedging has been achieved. A cash flow hedge reserve of \$61 million has been created representing the total change in the fair value of cash flow hedge derivatives and hedged financial instruments.

4. Asset classification and fair value

UK GAAP:

Under UK GAAP, non-trading assets and liabilities (including loans, debt securities, equity investments that are less than 20 per cent of the share capital of the issuing entity, and deposits) were recorded at cost (less impairment in the case of assets). Income was recognised on an accruals basis. Unrealised fair value gains and losses were not recorded on the balance sheet.

Trading assets and liabilities were recorded at market value with gains and losses from changes in market values being recorded in dealing profits.

UK GAAP permitted assets and liabilities, and related income and expense, to be netted where there was a legal right of offset.

IFRS:

Under IAS 39 all financial assets are classified as either loans and receivables, held to maturity (HTM), at fair value (either trading or designated), or available for sale (AFS):

Loans and receivables: income is recognised on a level yield basis as noted in 2 above.

HTM: income is recognised on a level yield basis.

At fair value: changes in fair values are recorded in net trading income.

AFS: changes in fair values are recorded in reserves until either sold or maturity, at which point realised gains or losses are transferred to the income statement. Where an AFS asset is designated in a fair value hedge relationship, unrealised gains and losses are recorded in income. Foreign exchange gains and losses are recorded directly in income. Where there is objective evidence of impairment, the cumulative loss recognised in equity is transferred to the income statement.

Financial liabilities are classified as either at cost or, if they are for trading purposes, at fair value.

At present the European Union has prohibited the designation of non-trading liabilities as held at fair value. The IASB is reviewing the criteria for designating non-trading assets and liabilities at fair value. This may change the classification of certain assets and liabilities.

Netting is only permitted where there is an intention to settle on a net basis as well as having the legal right to do so.

Impact:

Upon transition at 1 January 2005, all loans and advances will be classified as loans and receivables, unless a loan was acquired with the intention to dispose of it in the short term, in which case a loan will be classified as trading. The majority of non-trading debt securities and equity investments will be classified as AFS. Certain non-trading assets will be classified as held at fair value. A summary table of reclassification is set out in appendix 3J.

Had this policy been applied in 2004 it would have resulted in a net decrease in income of \$2 million for 2004. Retained earnings at 31 December 2004 decrease by \$27 million and a new AFS reserve of \$87 million is created.

Assets and liabilities have increased by \$1,121 million in respect of balances that had been netted under UK GAAP.

5. Impairment

UK GAAP:

UK GAAP required specific provisions to be made where the repayment of an identified loan is in doubt. A general provision was held for the inherent risk of loss in a portfolio which, although not identified separately, was known from experience to be present. Interest was suspended when there was reasonable doubt as to its collectability.

IFRS:

In addition to making a provision for incurred losses in a similar way to UK GAAP, IFRS requires the time it takes to collect recoverable cash to be recorded by way of a time-value discount provision. This provision unwinds to interest income over the cash collection period.

General provisions are not allowed but portfolio specific provisions are required. These portfolio provisions are based on flow rate and historic loss methodology and are likely to fluctuate from period to period.

Suspended interest is not relevant under IAS 39 as interest is recognised on the recoverable element of impaired loans (represented by the unwind of the discount noted above).

Impact:

For 2004, additional revenue of \$59 million is recognised from unwinding of discounts and an element of interest that had been suspended under UK GAAP. Additional provision charges for impaired loans and advances of \$76 million are made for discounting and movements in portfolio specific provision. Equity is increased and provisions are reduced from the reversal of the UK GAAP general provision, offset by IFRS provision requirements.

The rate at which the new discount provisions are created during a period will differ from the rate that provisions created in previous periods unwind to interest income.

APPENDIX 3A

STANDARD CHARTERED PLC – PRO-FORMA FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Pro-forma IFRS 31.12.04 \$m	Pro-forma IFRS 30.06.04 \$m
Assets		
Cash and balances at central banks	3,960	3,447
Treasury bills and other eligible bills	5,302	6,535
Loans and advances to banks	17,402	17,388
Derivative financial instruments	12,680	7,849
Loans and advances to customers	72,300	63,982
Debt securities	33,101	29,096
Equity shares	304	206
Intangible fixed assets	2,353	2,154
Property, plant and equipment	555	525
Deferred tax assets	172	172
Prepayments, accrued income and other assets	5,265	5,109
Total assets	153,394	136,463

Liabilities

Deposits by banks	15,814	17,118
Derivative financial instruments	12,024	7,849
Customer accounts	85,452	78,214
Debt securities in issue	11,629	9,979
Current tax liabilities	296	281
Accruals, deferred income and other liabilities	10,886	8,014
Subordinated liabilities:		
Undated loan capital	1,588	1,572
Dated loan capital	4,756	3,872
Total liabilities	142,445	126,899

Equity

Shareholders' funds	9,989	9,055
Minority interest	960	509
Total equity	10,949	9,564

Total equity and liabilities

153,394	136,463
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APPENDIX 3B**SUMMARISED CONSOLIDATED INCOME STATEMENT**
For the year ended 31 December 2004

	Pro-forma 12 months ended 31.12.04 \$m	Pro-forma 6 months ended 30.06.04 \$m	Pro-forma 6 months ended 31.12.04 \$m
Interest and similar income	5,350	2,567	2,783
Interest expense and similar charges	(2,092)	(1,005)	(1,087)
Net interest income	3,258	1,562	1,696
Other finance income	10	3	7
Fees and commissions income	1,589	779	810
Fees and commissions expense	(239)	(111)	(128)
Net trading income	677	337	340
Other operating income	205	175	30
	2,232	1,180	1,052
Total operating income	5,500	2,745	2,755
Administrative expenses:			
Staff	(1,559)	(793)	(766)
Premises	(321)	(158)	(163)
Other	(770)	(348)	(422)
Depreciation and amortisation	(238)	(123)	(115)
Total operating expenses	(2,888)	(1,422)	(1,466)
Operating profit before provisions	2,612	1,323	1,289
Impairment losses on loans and advances	(290)	(137)	(153)
Amounts written off fixed asset investments	(68)	(69)	1
Operating profit before taxation	2,254	1,117	1,137
Taxation	(624)	(333)	(291)
Operating profit after taxation	1,630	784	846
Minority interest	(34)	(16)	(18)

Profit for the period attributable to shareholders	1,596	768	828
Dividends on other equity interests	(103)	(51)	(52)
Dividends on ordinary equity shares	(630)	(429)	(201)
Retained profit	863	288	575
Basic earnings per share	127.3c	61.2c	66.1c
Diluted earnings per ordinary share	124.3c	60.1c	64.2c

APPENDIX 3C

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 December 2004

	Pro-forma 12 months ended 31.12.04 \$m	Pro-forma 6 months ended 30.06.04 \$m
Cash flow from/(used in) operating activities		
Operating profit before taxation	2,254	1,117
Adjustment for items not involving cash flow or shown separately		
Depreciation and amortisation of premises and equipment	238	123
Gain on disposal of tangible fixed assets	(4)	(5)
Gain on disposal of investment securities	(164)	(159)
Amortisation of investments	(41)	18
Gain on disposal of subsidiary undertakings	-	(4)
Impairment losses on loans and advances	290	137
Amounts written off fixed asset investments	68	69
Debts written off, net of recoveries	(481)	(106)
Increase/(decrease) in accruals and deferred income	80	(156)
Increase in prepayments and accrued income	(256)	(219)
Net (increase)/decrease in mark to market adjustment	(224)	519
Interest paid on subordinated loan capital	293	231
UK and overseas taxes paid	(573)	(271)
Net cash inflow from trading activities	1,480	1,294
Net increase in cheques in the course of collection	(45)	(83)
Net (increase)/decrease in treasury bills and other eligible bills	(78)	52
Net (increase) in loans and advances to banks and customers	(11,999)	(6,927)
Net increase in deposits from banks, customer accounts/debt securities in issue	15,004	12,103
Net increase in dealing securities	(2,118)	(286)
Net increase/(decrease) in other accounts	3,037	(18)
Net cash inflow from/(used in) operating activities	5,281	6,135
Net cash flows from investing activities		
Purchase of tangible fixed assets	(240)	(95)
Acquisition of subsidiaries, net of cash acquired	(333)	-
Acquisition of treasury bills	(9,188)	(6,346)
Acquisition of debt securities	(75,353)	(33,931)
Acquisition of equity shares	(121)	(42)
Disposal of subsidiaries, associated undertakings and branches	6	6
Disposal of tangible fixed assets	51	53
Disposal and maturity of treasury bills	10,778	5,363
Disposal and maturity of debt securities	71,482	31,788
Disposal of equity shares	356	352
Dividend paid on minority shareholders of subsidiary undertakings	(17)	(3)

Net cash used in investing activities	(2,579)	(2,855)
Net cash inflow from financing activities		
Interest paid on subordinated loan capital	(293)	(231)
Gross proceeds from issue of subordinated loan capital	499	4
Repayment of subordinated liabilities	(25)	(21)
Dividend paid on other equity interests	(103)	(51)
Equity dividend paid to members of the company	(587)	(396)
Net cash outflow from financing activities	(509)	(695)
Net increase in cash and cash equivalents	2,193	2,585
Cash and cash equivalents at beginning of year	21,773	21,773
Effect of exchange rate changes on cash and cash equivalents	57	(39)
Cash and cash equivalents at end of period	24,023	24,319

APPENDIX 3D

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE For the year ended 31 December 2004

	Pro-forma 12 months ended 31.12.04 \$m	Pro-forma 6 months ended 30.06.04 \$m	Pro-forma 6 months ended 31.12.04 \$m
Operating profit after taxation	1,630	784	846
Exchange translation differences	96	(66)	162
Actuarial (loss)/gain on retirement benefits	(5)	15	(20)
Available for sale investments:			
Gain on revaluation of available for sale investments	11	(22)	33
Gain on revaluation of available for sale investments sold	(145)	(143)	(2)
Gain on revaluation of available for sale investments matured	(1)	12	(13)
Gain on revaluation of cashflow hedges	61	-	61
Deferred tax on items taken directly to reserves	38	71	(33)
Recognised income and expense for the period	1,685	651	1,034
Attributable to:			
Equity holders of the parent	1,651	635	1,016
Minority interest	34	16	18
	1,685	651	1,034

APPENDIX 3E

RECONCILIATION OF SUMMARISED CONSOLIDATED BALANCE SHEET At 31 December 2004

	Audited IFRS 31.12.04 \$m	Debt/ Equity \$m	Effective yield \$m	Derivatives/ hedging \$m	Asset classification/ fair values \$m	Impairment \$m	Tax \$m	Pro-forma IFRS 31.12.04 \$m
Assets								
Cash and balances at central banks	3,960	-	-	-	-	-	-	3,960
Treasury bills and eligible bills	4,425	-	-	-	877	-	-	5,302
Loans and advances to banks	17,382	-	-	-	20	-	-	17,402
Derivative financial instruments	-	-	-	12,680	-	-	-	12,680
Loans and advances to customers	72,159	-	123	-	(26)	44	-	72,300
Debt securities	32,842	-	-	-	259	-	-	33,101
Equity shares	253	-	-	-	51	-	-	304
Intangible fixed assets	2,353	-	-	-	-	-	-	2,353
Property, plant and equipment	555	-	-	-	-	-	-	555
Deferred income tax assets	272	-	-	-	-	-	(100)	172
Prepayments, accrued income and other assets	12,877	-	(24)	(7,592)	-	4	-	5,265
Total assets	147,078	-	99	5,088	1,181	48	(100)	153,394
Liabilities								
Deposits by banks	15,814	-	-	-	-	-	-	15,814
Derivative financial instruments	-	-	-	12,024	-	-	-	12,024
Customer accounts	85,458	-	(6)	-	-	-	-	85,452
Debt securities in issue	11,627	-	-	2	-	-	-	11,629
Current tax liabilities	295	-	-	-	-	-	1	296
Accruals, deferred income and other liabilities	17,047	-	(4)	(7,278)	1,121	1	(1)	10,886
Subordinated liabilities:								
Undated loan capital	1,588	-	-	-	-	-	-	1,588
Dated loan capital	5,180	(649)	-	225	-	-	-	4,756
Total liabilities and shareholders' funds	137,009	(649)	(10)	4,973	1,121	1	-	142,445
Equity								
Share capital/premium and redemption reserve	3,818	(375)	-	-	-	-	-	3,443
Other equity instruments	-	941	-	-	-	-	-	941
AFS reserve	-	-	-	-	87	-	(14)	73
Cash flow hedge reserve	-	-	-	61	-	-	(19)	42
Premises revaluation	76	-	-	-	-	-	-	76
Own shares in ESOP Trust	(8)	-	-	-	-	-	-	(8)
Profit and loss account	5,219	83	109	58	(27)	47	(67)	5,422
Minority interest	964	-	-	(4)	-	-	-	960
Total equity	10,069	649	109	115	60	47	(100)	10,949

APPENDIX 3F

RECONCILIATION OF SUMMARISED CONSOLIDATED BALANCE SHEET At 30 June 2004

	Reviewed IFRS 30.06.04 \$m	Debt/ Equity \$m	Effective Yield \$m	Derivatives/ Hedging \$m	Asset classification/ fair values \$m	Impairment \$m	Tax \$m	Pro-forma IFRS 30.06.04 \$m
Assets								
Cash and balances at central banks	3,447	-	-	-	-	-	-	3,447
Treasury bills and eligible bills	5,978	-	-	-	557	-	-	6,535
Loans and advances to banks	17,387	-	-	-	1	-	-	17,388
Derivative financial instruments	-	-	-	7,849	-	-	-	7,849
Loans and advances to customers	63,743	-	120	-	20	99	-	63,982
Debt securities	28,900	-	-	-	196	-	-	29,096
Equity shares	179	-	-	-	27	-	-	206
Intangible fixed assets	2,154	-	-	-	-	-	-	2,154
Property, plant and equipment	525	-	-	-	-	-	-	525
Deferred tax assets	251	-	-	-	-	-	(79)	172
Prepayments, accrued income and other assets	10,084	-	(34)	(4,945)	-	1	3	5,109
Total assets	132,648	-	86	2,904	801	100	(76)	136,463
Liabilities								
Deposits by banks	16,999	-	-	-	119	-	-	17,118
Derivative financial instruments	-	14	-	7,835	-	-	-	7,849
Customer accounts	78,219	-	(5)	-	-	-	-	78,214
Debt securities in issue	9,985	-	-	(6)	-	-	-	9,979
Current tax liabilities	258	-	-	-	-	-	23	281
Accruals, deferred income and other liabilities	12,402	-	(5)	(5,140)	780	-	(23)	8,014
Subordinated liabilities:								
Undated loan capital	1,572	-	-	-	-	-	-	1,572
Dated loan capital	4,351	(621)	-	142	-	-	-	3,872
Total liabilities	123,786	(607)	(10)	2,831	899	-	-	126,899
Equity								
Share capital/premium and redemption reserve	3,778	(354)	-	-	-	-	-	3,424
Other equity instruments	-	888	-	-	-	-	-	888
AFS reserve	-	-	-	-	71	-	(9)	62
Cash flow hedge reserve	-	-	-	-	-	-	-	-
Premises revaluation	81	-	-	-	-	-	-	81
Own shares in ESOP Trust	(74)	-	-	-	-	-	-	(74)
Retained earnings	4,447	73	96	75	(50)	100	(67)	4,674
Minority interest	630	-	-	(2)	(119)	-	-	509
Total equity	8,862	607	96	73	(98)	100	(76)	9,564

APPENDIX 3G

RECONCILIATION OF INCOME STATEMENT For the year ended 31 December 2004

	Audited IFRS 12 months ended 31.12.04 \$m	Debt/ Equity \$m	Effective yield \$m	Derivatives/ hedging \$m	Asset classification/ fair values \$m	Impairment \$m	Tax \$m	Pro-forma 12 months ended 31.12.04 \$m
Interest receivable and similar income	5,312	-	11	(19)	-	46	-	5,350
Interest expense and similar charges	(2,130)	33	1	13	(9)	-	-	(2,092)
Net interest income	3,182	33	12	(6)	(9)	46	-	3,258
Other finance income	10	-	-	-	-	-	-	10
Fees and commissions income	1,614	-	(38)	-	-	13	-	1,589
Fees and commissions expense	(282)	-	43	-	-	-	-	(239)
Net trading income	651	23	-	(4)	7	-	-	677
Other operating income	207	-	-	(2)	-	-	-	205
	2,190	23	5	(6)	7	13	-	2,232
Total operating income	5,382	56	17	(12)	(2)	59	-	5,500
Administrative expenses:								
Staff	(1,559)	-	-	-	-	-	-	(1,559)
Premises	(321)	-	-	-	-	-	-	(321)
Other	(731)	-	5	(44)	-	-	-	(770)
Depreciation and amortisation	(238)	-	-	-	-	-	-	(238)
Total operating expenses	(2,849)	-	5	(44)	-	-	-	(2,888)
Operating profit before provisions	2,533	56	22	(56)	(2)	59	-	2,612
Impairment losses on loans and advances	(214)	-	-	-	-	(76)	-	(290)
Amounts written off fixed assets	(68)	-	-	-	-	-	-	(68)
Operating profit before taxation	2,251	56	22	(56)	(2)	(17)	-	2,254
Taxation	(630)	-	-	-	-	-	6	(624)
Operating profit after taxation	1,621	56	22	(56)	(2)	(17)	6	1,630
Minority interest	(43)	-	-	-	9	-	-	(34)
Profit for the period attributable to shareholders	1,578	56	22	(56)	7	(17)	6	1,596
Dividends on other equity interests	(58)	(45)	-	-	-	-	-	(103)
Dividends on ordinary equity shares	(630)	-	-	-	-	-	-	(630)
Retained profit	890	11	22	(56)	7	(17)	6	863

APPENDIX 3H

RECONCILIATION OF INCOME STATEMENT For six months ended 30 June 2004

	Reviewed IFRS 6 months ended 30.06.04 \$m	Debt/ Equity \$m	Effective yield \$m	Derivatives/ Hedging \$m	Asset classification/ fair values \$m	Impairment \$m	Tax \$m	Pro-forma 6 months ended 30.06.04 \$m
Interest and similar income	2,568	-	5	(28)	(4)	26	-	2,567
Interest expense and similar charges	(1,017)	16	1	(1)	(4)	-	-	(1,005)
Net interest income	1,551	16	6	(29)	(8)	26	-	1,562
Other finance income	3	-	-	-	-	-	-	3
Fees and commissions income	793	-	(18)	-	-	4	-	779
Fees and commissions expense	(130)	-	19	-	-	-	-	(111)
Net trading income	333	8	-	5	(9)	-	-	337
Other operating income	175	-	-	-	-	-	-	175
	1,171	8	1	5	(9)	4	-	1,180
Total operating income	2,725	24	7	(24)	(17)	30	-	2,745
Administrative expenses:								
Staff	(793)	-	-	-	-	-	-	(793)
Premises	(158)	-	-	-	-	-	-	(158)
Other	(336)	-	3	(15)	-	-	-	(348)
Depreciation and amortisation	(123)	-	-	-	-	-	-	(123)
Total operating expenses	(1,410)	-	3	(15)	-	-	-	(1,422)
Operating profit before provisions	1,315	24	10	(39)	(17)	30	-	1,323
Impairment losses on loans and advances	(139)	-	-	-	-	2	-	(137)
Income from joint venture	-	-	-	-	-	-	-	-
Amounts written off fixed assets	(69)	-	-	-	-	-	-	(69)
Operating profit before taxation	1,107	24	10	(39)	(17)	32	-	1,117
Taxation	(331)	-	-	-	-	-	(2)	(333)
Operating profit after taxation	776	24	10	(39)	(17)	32	(2)	784
Minority interest	(20)	-	-	-	4	-	-	(16)
Profit for the period attributable to shareholders	756	24	10	(39)	(13)	32	(2)	768
Dividends on other equity interests	(29)	(22)	-	-	-	-	-	(51)
Dividends on ordinary equity shares	(429)	-	-	-	-	-	-	(429)
Retained profit	298	2	10	(39)	(13)	32	(2)	288

APPENDIX 3I

RECONCILIATION OF EQUITY At 1 January 2004

	Audited IFRS 01.01.04 \$m	Debt/ equity \$m	Effective yield \$m	Derivatives/ hedging \$m	Asset classification/ fair values \$m	Impairment \$m	Tax \$m	Pro-forma IFRS 01.01.04 \$m
Equity								
Share capital, share premium and redemption reserve	3,768	(349)	-	-	-	-	-	3,419
Other components of equity	-	877	-	-	-	-	-	877
AFS reserve	-	-	-	-	227	-	(47)	180
Cash flow/hedge reserve	-	-	-	-	-	-	-	-
Premises revaluation	57	-	-	-	-	-	-	57
Own shares held in ESOP Trusts	(60)	-	-	-	-	-	-	(60)
Retained earnings	4,182	72	86	114	(34)	59	(72)	4,407
Minority interest	620	-	-	-	(129)	-	-	491
	8,567	600	86	114	64	59	(119)	9,371

APPENDIX 3J

SUMMARISED ASSET CLASSIFICATIONS At 31 December 2004 and 30 June 2004

	Held to maturity \$m	Originated \$m	Available for sale \$m	Trading \$m	Designated at fair value \$m	Pro-forma 31.12.04 Total \$m
Treasury bills and other eligible bills	57	-	3,881	1,120	244	5,302
Loans and advances to banks	-	16,508	-	894	-	17,402
Loans and advances to customers	-	72,101	6	144	49	72,300
Debt securities	983	343	26,272	3,894	1,609	33,101
Equity shares	-	-	292	12	-	304
	1,040	88,952	30,451	6,064	1,902	128,409

	Held to maturity \$m	Originated \$m	Available for sale \$m	Trading \$m	Designated at fair value \$m	Pro-forma 30.06.04 Total \$m
Treasury bills and other eligible bills	127	-	5,119	740	549	6,535
Loans and advances to banks	-	15,910	-	1,478	-	17,388
Loans and advances to customers	-	63,694	-	288	-	63,982
Debt securities	973	294	23,751	2,999	1,079	29,096
Equity shares	-	-	206	-	-	206
	1,100	79,898	29,076	5,505	1,628	117,207

APPENDIX 3K

SEGMENTAL INFORMATION BY GEOGRAPHIC SEGMENT For the year ended 31 December 2004

	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m	India \$m	MESA UAE \$m	Other \$m	Africa \$m	US, UK & Group \$m	Total \$m
Audited IFRS										
Operating income	1,406	513	270	825	466	271	377	584	670	5,382
Operating expenses	(658)	(228)	(145)	(518)	(252)	(100)	(170)	(360)	(418)	(2,849)
Operating profit before provision	748	285	125	307	214	171	207	224	252	2,533
Charge for debts	(125)	(33)	(2)	(40)	(22)	(1)	(1)	(12)	22	(214)
Impairment/other	-	-	-	-	2	-	-	-	(70)	(68)
Operating profit before taxation	623	252	123	267	194	170	206	212	204	2,251
IAS 32/39 adjustments										
Operating income	10	4	25	10	20	(1)	1	6	43	118
Operating expenses	(4)	(4)	(2)	(6)	(1)	(1)	(1)	(5)	(15)	(39)
Operating profit before provision	6	-	23	4	19	(2)	-	1	28	79
Impairment losses on loans and advances	13	(4)	(26)	(35)	(8)	(5)	(6)	(8)	3	(76)
Impairment/other	-	-	-	-	-	-	-	-	-	-
Operating profit before taxation	19	(4)	(3)	(31)	11	(7)	(6)	(7)	31	3
Pro-forma										
Operating income	1,416	517	295	835	486	270	378	590	713	5,500
Operating expenses	(662)	(232)	(147)	(524)	(253)	(101)	(171)	(365)	(433)	(2,888)
Operating profit before provision	754	285	148	311	233	169	207	225	280	2,612
Impairment losses on loans and advances	(112)	(37)	(28)	(75)	(30)	(6)	(7)	(20)	25	(290)
Impairment/other	-	-	-	-	2	-	-	-	(70)	(68)
Operating profit before taxation	642	248	120	236	205	163	200	205	235	2,254

APPENDIX 3L

SEGMENTAL INFORMATION BY CLASS OF BUSINESS For the year ended 31 December 2004

Audited IFRS	Consumer Banking \$m	Wholesale Banking \$m	Corporate items not allocated \$m	Total \$m
Total operating income	2,700	2,574	108	5,382
Total operating expenses	(1,400)	(1,426)	(23)	(2,849)
Operating profit before provisions	1,300	1,148	85	2,533
Charge for debts	(242)	28	–	(214)
Amounts written off fixed assets	–	(1)	(67)	(68)
Operating profit before taxation	1,058	1,175	18	2,251
IAS32/39 adjustments				
Total operating income	73	45	–	118
Total operating expenses	(17)	(22)	–	(39)
Operating profit before provisions	56	23	–	79
Impairment losses on loans and advances	(53)	(23)	–	(76)
Amounts written off fixed assets	–	–	–	–
Operating profit before taxation	3	–	–	3
Pro-forma				
Total operating income	2,773	2,619	108	5,500
Total operating expenses	(1,417)	(1,448)	(23)	(2,888)
Operating profit before provisions	1,356	1,171	85	2,612
Impairment loss on loans and advances	(295)	5	–	(290)
Amounts written off fixed assets	–	(1)	(67)	(68)
Operating profit before taxation	1,061	1,175	18	2,254

APPENDIX 3M

EARNINGS PER ORDINARY SHARE

	12 months ended 31.12.04			6 months ended 30.06.04		
Earnings per Ordinary Share	IFRS Profit \$m	Average number of shares ('000)	Cents per share	IFRS Profit \$m	Average number of shares ('000)	Cents per share
Basic earnings per ordinary share	1,493	1,172,921	127.3	717	1,170,699	61.2
Effect of dilutive potential ordinary shares:						
Convertible bonds	12	34,488		9	34,488	
Options	–	3,444		–	2,252	
Diluted earnings per ordinary share	1,505	1,210,853	124.3	726	1,207,439	60.1

Normalised earnings per ordinary share

The Group measures earnings per share on a normalised basis.

The following table shows the calculation of normalised earnings per share, i.e. based on the Group's results excluding amounts written off fixed assets, profits/losses of a capital nature and profits/losses on repurchase of capital instruments.

	12 months ended 31.12.04 \$m	6 months ended 30.06.04 \$m
Profit attributable to ordinary shareholders, as above	1,493	717
Profit on sale of shares in – KorAm	(95)	(95)
– Bank of China	(36)	(36)
Premium and costs paid on repurchase of subordinated debt	23	21
Cost of Hong Kong incorporation	18	18
Tsunami donation	5	–
Profit on sale of tangible fixed assets	(4)	(4)
Profit on disposal of subsidiary undertakings	(4)	(4)
Amounts written off fixed assets	68	69
Normalised earnings	1,468	686
Normalised earnings per ordinary share	125.2c	58.6c

APPENDIX 4

STANDARD CHARTERED PLC

ACCOUNTING POLICIES AS REVISED UNDER IFRS

The following is a summary of Standard Chartered PLC's new Group accounting policies under IFRS. Where policies have changed under IFRS this is indicated by *. No adjustments have been made for any changes in estimates made at the time of approval of the UK GAAP financial statements.

Basis of accounting

As set out in the Basis of Preparation, the restated financial information has been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as endorsed by the EU or expected to be applicable at 31 December 2005.

Critical accounting policies

Standard Chartered PLC's management considers the following to be the most important accounting policies in the context of the Group's operations.

1 Accounting convention*

The Company and Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as required by European Directives. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and dealing positions.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

2 Consolidation *

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired are fair valued at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

- a) Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

- b) Interest in Joint Ventures *

Interests in jointly controlled entities are recognised using proportionate consolidation whereby the assets, liabilities, income and expenses are combined line by line with similar items in the Group's financial statements.

3 Foreign currency translation*

- a) Functional and presentation currency items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in US dollars, which is the Group's functional and presentation currency.

- b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

- c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows.

- i) assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date.
- ii) income and expenses for each income statement are translated at average exchange rates; and
- iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4 Sale and repurchase agreements*

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

5 Intangible assets*

- a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (three to five years). Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

6 Property, plant and equipment*

Land and buildings comprise mainly branches and offices. All property, plant and equipment is stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	up to 50 years
Leasehold improvements	life of lease, up to 50 years
Equipment and motor vehicles	3 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are included in the income statement.

7 Leases*

a) Where a Group company is the lessee

The leases entered into by the Group are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

b) Where a Group company is the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

8 Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

9 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

10 Employee benefits

a) Pension obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

b) Share-based compensation *

The Group operates equity-settled, share-based compensation plan with specific cash settled elements. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

11 Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

12 Borrowings*

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in net trading income.

13 Share capital*

a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

c) Treasury shares

Where the Company or other members of the consolidated Group purchases the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

14 Fiduciary activities*

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

15 Bad and doubtful debts

Provisions for bad and doubtful debts are held in respect of loans and advances, including cross border exposures. The provisions comprise two elements – specific and general. Provisions against loans and advances are based on an appraisal of the loan portfolio. Specific provisions are made where the repayment of identified loans is in doubt and reflect an estimate of the amount of loss expected. The general provision is for the inherent risk of losses which, although they have not been separately identified, are known from experience to be present in any loan portfolio and to other material uncertainties where specific provisioning is not appropriate. The amount of the general provision reflects past experience and judgements about current conditions in particular locations or business sectors.

Provisions are made against cross border exposures where a country may experience or has experienced external liquidity problems and doubts exist as to whether full recovery will be achieved.

Provisions are applied to write off advances, in part or in whole, when they are considered wholly or partly irrecoverable.

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability; thereafter, and until all or part of the loan is written off, interest continues to accrue on customers' accounts, but is not included in income. Such suspended interest is deducted from loans and advances on the balance sheet.

16 Debt Securities, Equity Shares and Treasury Bills

Securities, including equity shares and treasury bills, which are intended for use on a continuing basis in the Group's activities are classified as investment securities. They include portfolios of securities held in countries where the Group is required to maintain a stock of liquid assets. Investment securities are stated at cost less any provision for permanent diminution in value. The cost of dated investment securities is adjusted to reflect the amortisation of accretion of premiums and discounts on acquisition on a straight-line basis over the residual period to maturity. The amortisation and accretion of premiums and discounts are included in interest income.

Securities other than investment securities are classified as dealing securities and are held at market value. Where the market value of such securities is higher than cost, the original cost is not disclosed as its determination is not practicable.

17 Off-Balance Sheet Financial Instruments

Off-balance sheet financial instruments are valued with reference to market prices and the resultant profit or loss is included in the profit and loss account, except where the position in the instrument has been designated as a hedge when the profit or loss resulting from marking them to market is dealt with in the same way as the accounting treatment applied to the position hedged.

Trading positions are valued at market rates, and non-trading positions are valued on the same basis as the items being hedged. Netting occurs where transactions with the same counterparty meet the following requirements. The balances must be determinable and in freely convertible currencies, the Standard Chartered entity can insist on net settlement, and this ability is beyond doubt.

18 Fees and commissions

Fees or commissions which represent a payment for a service provided in setting up a transaction, are credited to the profit and loss account once they are receivable.

Fees or commissions which in substance amount to an additional interest charge, are recognised over the life of the underlying transaction on a level yield basis.

APPENDIX 5

ADDITIONAL ACCOUNTING POLICIES RELATING TO PRO-FORMA FINANCIAL INFORMATION

The pro-forma financial information has been prepared using the same accounting policies as set out in appendix 4 with the exception that the following policies have been amended by the application of IAS32 and IAS39 (as endorsed by the EU) as set out in this Appendix:

- Bad and Doubtful Debts
- Debt Securities, Equity Shares and Treasury Bills
- Off Balance Sheet Financial Instruments
- Fees and Commissions

1 Derivative financial instruments and hedge accounting*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

2 Interest income and expense*

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3 Fee and commission income*

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis.

4 Financial assets*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

c) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

d) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade- date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

5 Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

6 Impairment of financial assets*

a) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

b) Assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

7 Impairment of financial assets

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option.

Copies of this statement are available from:

Investor Relations, Standard Chartered PLC, 1 Aldermanbury Square, London, EC2V 7SB or from our website on <http://investors.standardchartered.com>

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

As at the date of this announcement, the board comprises:

Executive Directors – Mr. Bryan Kaye Sanderson, CBE; Mr. Evan Mervyn Davies, CBE; Mr. Michael Bernard DeNoma; Mr. Richard Henry Meddings; Mr. Kaikhushru Shiavax Nargolwala; Mr. Peter Alexander Sands; and

Independent Non-Executive Directors – Sir CK Chow; Mr. Jamie Frederick Trevor Dundas; Ms. Valerie Frances Gooding, CBE; Mr. Ho KwonPing; Mr. Rudolph Harold Peter Markham; Ms. Ruth Markland; Mr. Hugh Edward Norton; Mr. Paul David Skinner; Mr. Oliver Henry James Stocken.

Please also refer to the published version of this announcement in South China Morning Post.