
Standard Chartered Bank
Reference Number ZC18
Directors' Report and Financial Statements
31 December 2015



Incorporated in England with limited liability by Royal Charter 1853
Principal Office: 1 Basinghall Avenue, London, EC2V 5DD, England

	<i>Page</i>
<i>Strategic report</i>	2
<i>Financial review</i>	18
<i>Risk and capital review</i>	45
<i>Report of the directors</i>	152
<i>Statement of Directors' responsibilities</i>	158
<i>Report of the auditors</i>	159
<i>Financial statements</i>	160
<i>Consolidated income statement</i>	160
<i>Consolidated statement of comprehensive income</i>	161
<i>Consolidated balance sheet</i>	162
<i>Consolidated statement of changes in equity</i>	163
<i>Cash flow statement</i>	164
<i>Company balance sheet</i>	165
<i>Company statement of changes in equity</i>	166
<i>Notes to the accounts</i>	167
<i>Glossary</i>	293

Standard Chartered Bank

Strategic report

The Group's business model

The Group's business model develops on the Group's strategy which banks people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East.

Our geographies

We operate in 67 markets with a focus on Asia, Africa and the Middle East.

Our Activities

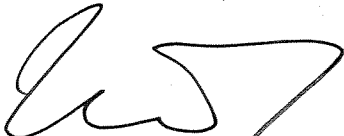
We manage savings and cash and facilitate transactions whilst supplying funds for productive uses, facilitating trade and providing advice. We organise the Group around our key client segments – Corporate & institutional, Commercial, Private Banking and Retail.

Read more about our business model on pages 3 to 6.

Authority

The strategic report up to page 17 has been issued:

By order of the Court



Bill Winters

Director

23 February 2018

Company Reference Number: ZC18

Strategic report continued

Our Business

Our strategy and business model

Our presence

We operate in many of the growth markets in the world. Whilst there are some macroeconomic challenges, these markets offer exciting long-term opportunities. Our presence in Europe and the Americas also enables us to bridge business between the West and Asia, Africa and the Middle East.

The rise of the urban middle class, rapid growth of digital technology, and increasing global connectivity all play to our strengths.

Our new strategy, strong brand, wealth platform and presence in Asia, Africa and the Middle East will allow us to benefit from powerful underlying growth trends, as we focus on providing outstanding service to our clients.

There are several external challenges that affect the Group's performance, including market developments in China, depressed commodity prices and weak investor sentiment towards emerging markets. We are realistic about these challenges, and believe that the right course of action is to execute our strategic plans with discipline and drive our business more dynamically, thus enabling us to generate the profitability and growth that is inherent to our business and our markets.

Our aspirations

Today, we have a strong capital base, are highly liquid, and have an increasingly diversified balance sheet. We are confident that this solid foundation will protect the Group through periods of volatility and economic headwinds, while giving us the platform to capitalise on opportunities as they arise.

Our new strategy, which we announced in November 2015, and the initiatives we are continuing to drive, will result in a leaner, more focused organisation. We are confident that these changes will help us build a financially strong business that will deliver return on equity in excess of 8 per cent by 2018, while we look to achieve more than 10 per cent by 2020.

By 2020, we want to be the best and most innovative financial institution in our markets – meeting the needs of the affluent and emerging middle class and enabling the internationalisation of companies trading across our network – as well as a trusted counterparty of our regulators.

Our core objectives

Our new strategy has three core objectives: to secure the foundations, get lean and focused, and invest and innovate. With our extensive review complete, we are now focused on executing this strategy and improving returns as outlined in the Financial review on pages 18 to 44.

Underpinning this strategy, our objectives are to manage our risks, returns and capital to create real value for our clients and shareholders, to improve our efficiency through investment and careful cost management, and to invest in capabilities to allow us to grow profitably and safely.

We are confident our new strategy will restore the Group to sustainable, profitable growth and deliver good returns for our shareholders. It will reposition the Group to weather near-term uncertainties, fix legacy issues, and capture significant underlying opportunities.

A shift in our mix

Inevitably, the strategy requires a fundamental shift in our business mix, and we will move away from more capital-intensive, lower-growth and lower-profitability segments of our business. This will mean an increase in the proportion of our business or revenue coming from Retail Banking, Wealth Management, Private Banking, Foreign Exchange and Transaction Banking.

In short, we are investing in the parts of our business which will enable us to play to the strengths of our network and capabilities.

Strategic report continued

Our strategy and business model continued

What we are doing

In order to deliver our new strategy and meet the three core objectives, we have developed a comprehensive programme of actions listed below. Since November 2015, we have already made progress against many aspects of the strategy.

1. Secure the foundations

- Rights Issue to strengthen the balance sheet materially
- Business strategy aligned with tightened risk tolerance
- Businesses and assets representing approximately one third of Group risk-weighted assets to be restructured
- Simplified organisation structure to focus more on geographic execution

2. Get lean and focus

- Restructure Corporate and Institutional Banking for higher returns
- Accelerate Retail Banking transformation
- Fundamentally overhaul Commercial Banking
- Clear and deliverable strategy for our regions
- Assertively manage costs to create investment capacity

3. Invest and innovate

- Invest and innovate in Private Banking and Wealth Management to capture opportunities
- Build on a strong foundation and invest to grow safely in Africa
- Leverage opening of China; capture opportunities from renminbi internationalisation
- Roll out enhanced Retail digital capabilities across our footprint

A key element of our strategy is to invest in our core strengths and where we have, or will have, a competitive advantage. We are investing more than \$3 billion over the next three years in technology, Retail Banking, Private Banking and Wealth Management, Africa, China, the internationalisation of the renminbi (RMB) and improving our controls. This is a 50 per cent increase on our recent investment spend and the most we have ever invested.

We will continue to invest and innovate to ensure the Group is able to take advantage of the opportunities as our markets evolve.

In addition, with double-digit market shares in many of our African markets, we are excited to capitalise on our differentiated position and build Africa into a regional powerhouse.

While the current challenges in Africa are clear, the long-term trends are well-established, and we intend to capitalise on those both in terms of GDP growth and the opening up of African economies. Core capabilities like Transaction Banking, and in particular RMB, are highly relevant to the African market.

We are building capabilities to exploit the opening up of China and the internationalisation of the RMB, the inclusion of the RMB in the Special Drawing Rights currencies of the International Monetary Fund (making it a reserve currency), and China's One Belt One Road initiative. These developments play directly to our strengths.

Our core position in Mainland China, and our presence in the major centres for trading in the ever-growing RMB, together with our focus on ASEAN, Central South Asia and Eastern African markets, call for us to invest substantially and incrementally in our Greater China business and capabilities.

Strategic report continued

Our strategy and business model continued

Our culture

Underpinning our approach to conducting our business and achieving our aspirations is our commitment to our brand promise, Here for good. This is at the core of who we are, and builds upon our rich heritage, culture and values.

Conducting our business to the highest ethical standards is central to our culture. Here for good, alongside our values, guides our decisions and actions across all aspects of our business, including the way we design and sell products, how we treat each other, and how we respect and serve the communities in which we operate. Our core values are:

- **Courageous:** we stand up for what we believe and do the right thing
- **Responsive:** we can be relied on to respond quickly and deliver lasting value
- **International:** we value others and actively collaborate
- **Creative:** we adapt and innovate to meet evolving needs
- **Trustworthy:** we act with integrity and earn the trust of others

Our culture and commitment to doing the right thing is not new, but we are determined to continue to strengthen both, and to build on our progress in conduct, leadership, and diversity and inclusion.

We respect human rights across our business. We have a responsibility whether in our role as an employer, as a procurer of goods and services, or as a provider of financial services. We address human rights in our Code of Conduct and our Supplier Charter. We consider human rights in our financing decisions, guided by our Position Statements, which include the rights of children, workers and communities in relation to specific industry-sector risks.

As a global bank, we have the privilege, opportunity and responsibility to be a force for good in the countries in which we operate. We are committed to promoting positive social and economic development in our markets, and have a comprehensive sustainability programme which focuses on contributing to sustainable economic growth, being a responsible company and investing in communities.

In an environment where the conduct of banks is under ever increasing scrutiny, our ethical standards must be beyond reproach. We need to understand and follow the letter and the spirit of the law, to play a robust role in the fight against financial crime, and to be mindful of the consequences of our actions.

How we measure performance

We track our progress in implementing our strategy with a range of financial and non-financial measures and key performance indicators (KPIs).

The Management Team owns these KPIs and tracks the progress of each business against them. These are reviewed regularly by the Management Team to ensure that the trajectory towards stated targets is satisfactory and to allow for timely action where required.

These KPIs are cascaded down within the business (with varying levels of granularity), either through business scorecards adapted to each geography, client segment and function, or through individual performance targets. This cascading ensures accountability and coordination within the organisation, to help us to drive towards our common goals.

Our strategy and business model continued

How we create value

Through our business model, we aim to create long-term value for a broad range of stakeholders

We have a sustainable approach to our business, which is reflected in our brand promise, Here for good

- **Focusing on clients** - Developing long-term relationships with clients
- **Contributing to sustainable economic growth** - Ensuring that our core business of banking supports sustainable growth and job creation
- **Being a responsible company** - Managing our operations to deliver long-term value for our stakeholders
- **Investing in communities** - Working with local communities to promote social and economic development

We add value for our clients by using our distinctive strengths

- **Strong brand** - A leading international banking group with a 150-year history in our markets, clear strategic objectives and a strong focus on client satisfaction
- **International network** - A proven track record in providing banking services across Asia, Africa, and the Middle East
- **Local connectivity** - Supporting clients at a regional level by drawing on deep local knowledge and collaborating through country franchises
- **Investment approach** - Investing in our business and its systems to improve our services and drive long-term value for our clients
- **Our people** - A diverse and inclusive workforce that is highly skilled and committed to the highest standards of conduct and integrity

Our business is structured to allow us to serve our clients better

- **Corporate and Institutional Banking** - Allowing companies and financial institutions to operate and trade globally by serving them across multiple markets
- **Commercial Banking** - Providing mid-sized companies with financial solutions and services that help them achieve their ambitions of international expansion and growth
- **Private Banking** - Supporting high net worth individuals with their banking needs across borders and offering access to global investment opportunities
- **Retail Banking** - Offering small businesses and affluent and emerging-affluent individuals a full spectrum of banking support

We provide solutions that meet our clients' evolving needs

- **Retail Products** - Deposits, savings, mortgages, credit cards and personal loans, and other retail banking products
- **Wealth Management** - Investments, portfolio management, insurance and advice and planning services
- **Transaction Banking** - Cash management, payments and transactions, securities holdings and trade finance products
- **Corporate Finance** - Financing, strategic advice, mergers and acquisitions, and equity and principal financing
- **Financial Markets** - Investment, risk management and debt capital markets

Through our activities we aim to generate income, profits and return on equity

- **Income** - Net interest income, fee income and trading income
- **Profits** - Income gained from providing our products and services minus expenses, impairment and taxes
- **Return on equity** - Profit generated relative to the equity invested

We create long-term value for a broad range of stakeholders

- **Shareholders** - Aiming to deliver robust returns and long-term sustainable value for shareholders
- **Clients** - Enabling individuals to grow and protect their wealth, and helping businesses to invest, trade, transact, and expand
- **Regulators, governments and industry bodies** - Supporting governing bodies in their drive for monetary and fiscal improvement
- **Communities** - Supporting growth and job creation, delivering financial innovation and having a low environmental impact
- **Employees** - Providing learning and development opportunities and forming a collegial, values-driven team

People

Engaging our people through a period of change

2015 was a challenging year for the Group and our people; a decline in performance was coupled with a period of significant change, including the appointment of a new Management Team, the reorganisation of the Group's business and the adoption of a new strategy announced in November 2015.

To deliver on the new strategy, it is imperative that our leaders and line managers are equipped with the skills to provide reassurance and clarity to our people. We have been mindful not to lose focus on the elements of our people strategy that enable us to uphold our brand promise, Here for good: for many of our people this underpins why they chose to join the Group, as well as why they stay.

At the end of 2015 we had a total workforce of 83,868 employees across 67 markets, representing 135 nationalities. This represents a decrease of 7 per cent compared to 90,213 employees at the end of 2014. While we continued to invest in attracting talent and reinforcing our compliance and control capabilities, the decrease in employees overall is largely a result of actions taken to deliver business and operational efficiencies.

Building employee engagement through change

Our My Voice survey was launched in October 2014 to benchmark employee engagement drivers across the Group; it measured employee sentiment and qualitative feedback across a variety of areas including conduct, leadership and strategy.

Nearly 8,000 of our leaders and managers have worked to address areas identified for improvement under the survey by creating greater growth opportunities, helping people to gain clarity in their career paths and improving collaboration beyond immediate teams. Some of the actions taken to date have included mentor programmes and job rotation opportunities, a new development programme for line managers, and new measures in our performance scorecards which encourage collaboration.

It was our intention to measure progress on the 2014 survey in October 2015. However, we took the decision to postpone the survey until the reorganisation of our business had been embedded. In its place we implemented a number of pulse surveys and informal feedback loops across the organisation to determine sentiment and identify any areas for concern. Where feedback indicated that our people required further clarification on certain issues, we were able to respond with key message documents and toolkits. This provided leaders and line managers with the resources necessary to provide open, honest and timely communications.

Embedding a culture of good conduct

Upholding good conduct remains central to our approach to doing business and is an area where we continue to invest and dedicate considerable resource. All senior leaders and managers are required to take personal responsibility for their own conduct and that of their teams, and this is explicitly included in line manager performance objectives, with a continued focus on driving quality conversations on conduct and what this means in practice day-to-day.

Our Group Code of Conduct was refreshed in September 2015 to cover all aspects of conduct across the Group. By the end of the year, 98.5 per cent of our people had committed or recommitted to the Code. We also took this opportunity to reinforce the role of line managers and senior leaders in creating the right environment for our people to deliver the highest standards of conduct. As part of the recommitment process, managers engaged their teams in discussions around the Code and used real-life case studies and dilemmas to empower their teams to do the right thing in real world situations. Managers were also required to attest to the conduct of their teams at the end of the year as part of our annual performance and reward process.

A core pillar of good conduct is combating financial crime. As part of our overall conduct agenda, we launched an internal awareness campaign in the fourth quarter of 2015. The objective of the campaign has been to help our people understand better the far-reaching societal impacts of financial crime, and to highlight the role each employee can play in helping to prevent it. The campaign will be rolled out progressively during the first quarter of 2016 across all markets in our footprint.

People continued

Investing in learning and development

Ensuring our people have opportunities to develop and grow their careers is not only essential to delivering our business priorities, it is a core component in creating a great place to work; a clear demonstration of how we are Here for good for our people; and a strong driver of retention.

Learning and talent development is an area of ongoing investment and begins with graduate recruitment. In 2015, we introduced additional career support and development opportunities into our junior talent programme and received more than 146,000 applications for 650 graduate and internship opportunities across 28 countries.

Developing the next generation of business leaders is vital to our performance and remains a priority for the Group. Reflecting this, we changed our annual performance management process to provide greater emphasis on employee growth and development, and trained managers on how to use this process more effectively for their teams.

We also enhanced and introduced several employee and management development programmes with an emphasis on management and leadership skills, such as the new Manager Development Programme. Since the launch in February 2015, a total of 53 sessions have been conducted for 791 managers. We also launched SC Ready, an induction programme designed to align mid-level leaders to our culture, leadership expectations and risk management philosophy.

External challenges and internal change have combined to create an environment where, increasingly, people are looking to our senior managers for greater guidance, support and leadership. To support this, we increased the number of leadership programmes from 64 in 2014 to 72 in 2015, training 1,504 leaders and senior managers worldwide.

In total we delivered a total of 399,000 learning days to 93 per cent of employees. The major areas of learning were risk and regulatory compliance, leadership, and technical knowledge and skills.

Diversity and inclusion

We encourage greater diversity in our workforce, recognising that this helps develop and retain our people, and provides better support to our diverse client base. We are committed to creating an inclusive environment that is free from bias, where everyone can realise their full potential and, in so doing, make a positive contribution to our organisation.

Since Standard Chartered first started focusing on a Group wide approach to diversity and inclusion (D&I) 10 years ago, it has become an increasingly important part of the way we do business. In 2015, we:

- Implemented D&I Charters, which empower each of our businesses, functions and geographies, to be accountable for delivering relevant D&I objectives
- Established three Global Employee Networks to provide structure support to employees in more than 30 countries

Health, safety and wellness

We are committed to providing a safe, secure and healthy working environment for our employees and customers. We remain steadfast in our commitment to ensure the highest standards of health and safety wherever we operate. This includes established global ergonomic design standards to minimise any occupation injury or illness, online health and safety training and an online safety and incident reporting portal.

Sometimes, these standards are compromised by events outside of our control, such as the earthquake in Nepal, the explosion in Tianjin or the flooding in Chennai. The health and safety of our employees and customers during these crises was paramount, with various individuals and teams working around the clock to account for the whereabouts of staff members, to secure buildings and, in some instances, to erect temporary accommodation for those unable to return to their homes. Our people responded proactively and upheld our commitment to be Here for good by overcoming the adversities to keep our business-critical systems running.

Community engagement

To create long-term value, we seek to address social and economic issues that affect the communities where we work and live. In 2015, we invested \$60.3 million, or the equivalent of 1.45 per cent of our 2014 operating profit, across our communities. We work closely with local non-governmental organisations (NGOs) and our employee volunteers to deliver programmes focused on health and education.

Employee volunteering

We encourage our employees to share their skills to support the successful delivery of our programmes, and to contribute to their communities. Every employee is entitled to three days of paid volunteering leave annually. To support the adoption of the United Nations' Sustainable Development Goals (SDGs) in 2015, we launched an internal campaign encouraging our employees to volunteer and support the SDG that matters most to them. In 2015, 57 per cent of employees volunteered, contributing to a total of 77,900 volunteering days.

Community programmes

The health of a community greatly impacts the quality of life for individuals and their ability to take up employment opportunities. Seeing is Believing (SiB) is our global programme to tackle avoidable blindness and visual impairment. In 2015, we raised \$7 million through fundraising and bank matching. From 2003 to 2015, we raised \$86.3 million and supported 101 projects across 29 countries. These projects have delivered medical interventions, supported health education and improved access to eye-care for more than 111 million people.

Our Positive Living programme promotes awareness and understanding of HIV and AIDS. In 2015, we updated our Positive Living training toolkit in 11 languages. We also strengthened our internal HIV and AIDS Procedure to ensure that employees across all of our markets are protected through non-discrimination and non-disclosure clauses. Through our partnership with the MTV Staying Alive Foundation, we supported eight projects aimed at educating and creating awareness among youth in seven markets.

Education provides the foundation for long-term economic growth. Goal, our global education programme for adolescent girls and young women, uses sports and life skills training to equip girls with the confidence, knowledge and skills they need to be leaders in their communities. In 2015, we reached over 71,200 girls across 25 countries. From 2006 to 2015, we empowered 217,000 girls. In 2015, we piloted an employability programme in India and trained 110 girls on private sector employability skills. Globally, 203 girls received paid jobs in 2015, including as Goal coaches.

Our financial education programmes use employee volunteering to build the financial capability of youth and entrepreneurs. Working with schools and communities, our Financial Education for Youth programme reached more than 103,600 young people across 24 markets in 2015. Our Education for Entrepreneurs programme focuses on non-client micro and small business owners. In 2015, we trained over 1,200 entrepreneurs in 11 countries, 71 per cent of whom were women.

We work with partners to help our communities manage emergency situations and try to protect social and economic gains made prior to the crisis. In 2015, we contributed \$750,000 to relief efforts, with a focus on earthquake recovery in Nepal.

Risk management

Our risk tolerance remains in line with our strategy

We manage our risks to build a sustainable franchise in the interests of all our stakeholders. The Group has a defined Risk Tolerance Statement, approved by the ultimate parent company (the Board), which is an expression of the maximum level of risk we are prepared to take in pursuit of our strategy. We have a well-established risk governance structure and we closely manage our risks to maintain the Group's risk profile in compliance with the Risk Tolerance Statement.

We announced our new strategy in November 2015 and at the same time reviewed our risk tolerances to align our risk profile to our business strategy. The Group has identified a number of exposures for liquidation that would currently exceed these tolerance levels. The portfolio for the ongoing business is consistent with our business model and the core business activities we undertake in the markets in which we operate. We have low exposure to asset classes and segments outside our core markets and target customer base. Our balance sheet is highly liquid and diversified across a wide range of products, industries, geographies and client segments, which serves to mitigate risk. We review and adjust our underwriting standards and limits in response to observed and anticipated changes in the external environment and the evolving expectations of our stakeholders.

Further details are set out in the Risk and Capital review section on pages 45 to 151

Risk profile

Highly diversified and short tenor portfolio

- Our balance sheet remains resilient and well diversified across a wide range of geographies, client segments, industries and products which serves to mitigate risk
- Other than financing, insurance and non-banking, no single industry's concentration represents more than 14 per cent of loans and advances to customers in the Corporate & Institutional Clients and Commercial Clients segments. Financing, insurance and non-banking industry is 21 per cent and mostly to investment grade institutions for liquidity management purposes. The loan portfolio remains predominantly short dated, with 67 per cent of loans and advances to customers in the Corporate & Institutional Clients and Commercial Clients segments maturing in under one year
- Our top 20 corporate exposures have reduced as a percentage of Tier 1 capital, and continue to be highly diversified, with each, on average, spread across seven markets and five industries
- Over 46 per cent of the corporate portfolio is investment grade and this mix is improving
- We hold a diverse mix of collateral, valued conservatively. Over half of our sub-investment grade corporate portfolio is collateralized. 60 per cent of long term sub investment grade is collateralised
- 42 per cent of customer loans and advances are in Retail Products; the unsecured portion of the portfolio is down from 19 per cent to 15 per cent in 2015, in part reflecting the effects of risk-mitigating actions on the unsecured book. The overall loan-to-value ratio on our mortgage portfolio is less than 50 per cent
- We have low exposure to asset classes outside our core markets

Strong capital and liquidity position

- We remain well capitalised and our balance sheet remains highly liquid
- We have a strong advances-to-deposits ratio
- We remain a net provider of liquidity to interbank markets
- Our customer deposit base is diversified by type and maturity
- We have a substantial portfolio of liquid assets which can be realised if a liquidity stress occurs

Robust risk governance structure and experienced senior team

- We have a clear Risk Tolerance Statement which is aligned to the Group's strategy; it is approved by the Board and informs the more granular risk parameters within which our businesses operate
- We continuously monitor our risk profile to ensure it remains within our risk tolerance and regularly conduct stress tests
- We review and adjust our exposures, underwriting standards and limits in response to observed and anticipated changes in the external environment and expectations
- We have a very experienced senior risk team and our risk committees are staffed by the Group's most senior leaders
- We have a robust Risk Management Framework that assigns accountability and responsibility for the management and control of risk
- We maintain a consistent and highly selective approach to large corporate credit underwriting

Risk management framework

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

Ultimate responsibility for the Group's strategy, for setting our Risk Tolerance Statement and for the effective management of risk rests with the Board. The Standard Chartered Bank Court (the 'Court'), which comprises the group executive directors and other directors, is the highest executive body of the Group. The Court has executive responsibility for risk management and delegates authority for the management of risk to the Group Risk Committee and the Group Asset and Liability Committee.

Roles and responsibilities

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

- First line of defence: all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business, function and geographic heads are accountable for risk management in their respective businesses and functions, and for countries where they have governance responsibilities
- Second line of defence: risk control owners, supported by their respective control functions, are responsible for ensuring that the residual risks within the scope of their responsibilities remain within risk tolerance. The scope of each risk control owner's responsibilities is defined by a given type of risk and is not constrained by functional, business or geographic boundaries. The second line control functions must be independent of the businesses they control, to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. The major risk types are defined on the following page
- Third line of defence: the independent assurance provided by the Group Internal Audit function. Its role is defined and overseen by the Audit Committee of the Board

The Group Chief Risk Officer directly manages a Risk function that is separate and independent from the origination, trading and sales functions of the businesses.

Risk tolerance and strategic alignment

The management of risk lies at the heart of our business. One of the main risks we incur arises from extending credit to clients through our trading and lending operations. Through our risk management framework we manage risks Group-wide, with the objective of maximising risk-adjusted returns while remaining within our risk tolerance. Our primary risk types are set out in the accompanying table, with an explanation of how they arise from our business. We recognise that a single transaction or activity may give rise to multiple types of risk exposure, and we use risk types to ensure comprehensive and consistent identification and control of risks, wherever they may arise.

Our approach to managing each risk type is set out in the Risk management approach section on pages 136 to 149 and Capital management and governance on page 150 to 151.

Our risk profile disclosures are set out on pages 50 to 131.

Risk type	How this arises from our business	Risk Tolerance Statement
Credit Potential for loss due to failure of counterparty to meet its obligations to pay the Group in accordance with agreed terms	Arises principally from lending, or from other financial commitments from clients or third parties. Lending and helping clients manage their financial risks is core to our banking services	The Group manages its credit and country cross-border exposures following the principle of diversification across products, geographies, client segments and industry sectors
Country cross-border Potential for loss due to the inability to obtain payment from clients or third parties on their contractual obligations, as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency	Arises from activities involving lending or transactions across borders or in a currency other than the currency in which the transaction is booked. Providing funds across borders and currencies facilitates trade and cross-border investment and is a core part of our service	
Market Potential for loss of earnings or economic value due to adverse changes in financial market rates or prices	Arises predominantly from providing clients access to financial markets, facilitation of which entails taking moderate market risk positions. Also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high quality liquid debt securities, and from the translation of non-dollar denominated assets, liabilities and earnings	The Group should control its trading portfolio and activities to ensure that market risk losses (financial or reputational) do not cause material damage to the Group's franchise
Liquidity Potential that the Group does not have sufficient financial resources in the short term to meet its obligations as they fall due, or can access these financial resources only at excessive cost	We balance the needs of depositors who require ready access to their cash and savings, while providing longer-term loans to clients who need the financial stability to invest in longer-term projects such as housing or infrastructure	The Group should be able to meet its payment and collateral obligations under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support
Operational Potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks	Operational risks are inherent in all our activities and our business. While these risks are actively managed, they cannot be entirely avoided	The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise
Reputational Potential for damage to the Group's franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Group or its actions	Our reputation is a function of how we are perceived by our stakeholders, including clients, investors, regulators, employees and the societies in which we operate. Reputational risk may also arise from a failure to comply with environmental and social standards in our relationship with clients and in our financing decisions	The Group will protect its reputation to ensure that there is no material damage to the Group's franchise
Pension Potential for loss due to having to meet an actuarially-assessed shortfall in the Group's pension schemes	Arises from defined benefit pension schemes provided to the Group's employees in some markets. This is principally a legacy of pension commitments made to employees in previous years	The Group will manage its pension plans such that: • There is no material unexpected deterioration in their funding requirements or other financial metrics • Members' benefits will continue in their current form although management actions such as a removal of discretionary benefits are allowable in the case of a market stress event

Capital

Potential for actual or opportunity loss from sub-optimal allocation of capital or increase in cost of capital

We are committed to growth underpinned by the diversity of our business across clients and customers, products and geographies

Under stressed conditions, of a severity experienced on average once in 25 years, the Group's prudential capital ratios on a transitional basis should exceed minimum regulatory capital requirements (being the level at which the Group can operate without additional regulatory restrictions on its activities), without recourse to external sources

Strategic

Potential for opportunity loss from failure to optimise the earnings potential of the Group's franchise

This arises from a failure to react appropriately to external triggers, such as economic, client, competition, technology or regulatory trends. Strategic risk can also arise from internal decisions that we make, such as entering new businesses or markets. Such decisions could lead to financial losses, lost opportunities, or reputational or conduct risk

Principal uncertainties

We are in the business of taking selected risks to generate shareholder value, and we seek to contain and mitigate these risks to ensure they remain within our risk appetite and are adequately compensated.

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

Further details on Principal uncertainties are set out in the risk and capital review on pages 132 to 139.

Uncertainty	Description	Mitigants
Deteriorating macroeconomic conditions in footprint countries	Deteriorating macroeconomic conditions can have an impact on our performance via their influence on personal expenditure and consumption patterns; demand for business products and services; the debt service burden of consumers and businesses; the general availability of credit for retail and corporate borrowers; and the availability of capital and liquidity for our business	- We balance risk and return, taking account of changing conditions through the economic cycle - We monitor economic trends in our markets very closely and continuously review the suitability of our risk policies and controls
Financial markets dislocation	- A sudden financial markets dislocation could affect our performance, directly through its impact on the valuations of assets in our available-for-sale and trading portfolios or the availability of capital or liquidity - Financial markets instability also may increase the likelihood of default by our counterparties; and may increase the likelihood of client disputes	- We stress test our market risk exposures to highlight the potential impact of extreme market events on those exposures and to confirm that they are within authorised stress loss triggers. Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Where necessary, overall reductions in market risk exposure are enforced - We carefully assess the performance of all of our counterparties in stress scenarios and adjust our limits accordingly - We maintain robust processes to assess the suitability and appropriateness of the products and services we provide to our clients
Geo-political events	We face a risk that geo-political tensions or conflict in our footprint could impact trade flows, our customers' ability to pay and our ability to manage capital across borders	We actively monitor the political situation in all of our principal markets and conduct regular stress tests of the impact of such events on our portfolios, which inform assessments of risk appetite and any need to take mitigating action

Risk of fraud and other criminal acts	The banking industry has long been a target for third parties seeking to defraud and disrupt legitimate economic activity, or to facilitate other illegal activities. The risk posed by such criminal activity is growing as criminals become more sophisticated and as they take advantage of the increasing use of technology and the internet. The incidence of cyber crime is rising, becoming more globally coordinated, and is a challenge for all organisations	- We seek to be vigilant to the risk of internal and external crime in our management of people, processes and systems and in our dealings with customers and other stakeholders - We have implemented a range of cyber crime defences to protect from hacking, misuse, malware, errors, social engineering and physical threats - Controls are embedded in our policies and procedures across a wide range of the Group's activities, such as origination, recruitment, physical and information security - We perform regular reviews of our control environment, perform external benchmarking against government and international cyber standards and frameworks, and conduct tests of our defences against cyber and other attacks - We actively collaborate with our peers, regulators and other expert bodies as part of our response to this risk
Exchange rate movements	- Changes in exchange rates affect the value of our assets and liabilities denominated in foreign currencies, as well as the earnings reported by our non-US dollar denominated branches and subsidiaries - Sharp currency movements can also impact trade flows and the wealth of clients, both of which could have an impact on our performance	- We actively monitor exchange rate movements and adjust our exposure accordingly - Under certain circumstances, we may take the decision to hedge our foreign exchange exposures in order to protect our capital ratios from the effects of changes in exchange rates
Regulatory changes	The nature and impact of future changes in economic policies, laws and regulations are not predictable and may run counter to our strategic interests. These changes could also affect the volatility and liquidity of financial markets, and more generally the way we conduct business and manage capital and liquidity	- We review key regulatory developments in order to anticipate changes and their potential impact on our performance - Both unilaterally and through our participation in industry groups, we respond to consultation papers and discussions initiated by regulators and governments. The focus of these activities is to develop the framework for a stable and sustainable financial sector and global economy
Regulatory compliance	- Although we seek to comply with all applicable laws and regulations, we are and may be subject to regulatory reviews and investigations by governmental and regulatory bodies, including in relation to US sanctions compliance and anti-money laundering controls. We cannot currently predict the nature or timing of the outcome of these matters. For sanctions compliance violations, there is a range of potential penalties which could ultimately include substantial monetary penalties, additional compliance and remediation requirements and/or additional business restrictions - Regulators and other agencies in certain markets are conducting investigations into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. Further details of material settlements and ongoing investigations are set out on pages 134 and 135	- We have established a Board-level Financial Crime Risk Committee and, since 2013, we have had a Financial Crime Risk Mitigation Programme. This is a comprehensive, multi-year programme designed to review and enhance many aspects of our existing approach to money laundering prevention, combating terrorism finance, sanctions compliance and the prevention of bribery and corruption - We are contributing to industry proposals to strengthen financial benchmarks processes in certain markets and continue to review our practices and processes in the light of the investigations, reviews and industry proposals - We are cooperating with all relevant ongoing reviews, requests for information and investigations - In meeting regulatory expectations and demonstrating active risk management, the Group also takes steps to restrict or restructure or otherwise to mitigate higher-risk business activities which could include divesting or closing businesses that exist beyond risk tolerances

Governance overview

Supporting decisions and guiding behaviours across the Group

Our approach to governance

We have a Group structure operated through both subsidiaries and branches, and maintain a consistent approach to overall governance, whilst respecting local legal, regulatory and governance requirements. During the year under review, governance was managed across the Group's eight geographic regions - through the respective regional chief executive officer offices, the business and functions. As part of the business reorganisation¹ the number of regions has been reduced to four. This ensures that the Group is effectively managed and controlled in line with our new strategy, announced in November 2015, our values and culture, and with regard to the requirements of our key stakeholders. In addition to clients, these key stakeholders include governments, regulators, shareholders, employees and the communities in which we operate.

As a leading international bank, we strive for best practice in corporate governance across our footprint. We believe that simply complying with written corporate governance standards is not enough. It is vital for companies to have an underlying culture with behaviours and values that support effective corporate governance. It is the responsibility of all of our employees to be responsive and vigilant to ensure compliance with both the letter and the spirit of our governance framework. At Standard Chartered, every employee is expected to live the Group's brand promise, Here for good, and be part of a culture that is open and challenging, yet cohesive and collaborative. We take care to ensure that all employees have, and demonstrate, the necessary skills, values and experience commensurate with their responsibilities. We place as much emphasis on the way employees behave as on what they deliver.

Business environment

A year of divergence

The Business environment report has been produced by our Global Research team. The forecasts for 2016 reflect their projections.

In 2015, the major economies continued the recovery seen in 2014, supporting global growth which likely expanded by 2.9 per cent. The eurozone grew faster than in 2014 while growth in the US stabilised. Emerging markets saw softer growth in 2015, with China's slowdown continuing and commodity prices falling sharply.

Asia, excluding Japan, likely expanded GDP by 6 per cent in 2015; Africa grew by 2.4 per cent and the Middle East by 3.5 per cent. Despite its slowdown, China continued to be one of the fastest-growing economies in the world, likely expanding by 6.9 per cent in 2015. India also likely maintained an impressive growth rate of 7.4 per cent in 2015, slightly above growth in 2014.

China focused on rebalancing, with policy makers working to boost consumption and services relative to investment, manufacturing and construction. The US started to normalise its monetary policy, with a 0.25 percentage point interest rate hike in December 2015, the first rise in interest rates since 2006. Despite the end of quantitative easing in the US, global monetary policy remained easy, with the Bank of Japan (BoJ), the European Central Bank (ECB) and the People's Bank of China (PBoC) all easing monetary conditions. This theme of divergence is likely to continue in 2016 as China's growth eases back to a slower pace and oil-exporting economies mark time, while developed economies accelerate.

The outlook for 2016

The macroeconomic outlook is subdued. No economy is booming, and global growth is likely to ease slightly to 2.7 per cent during the year. In 2016, China and the US Federal Reserve (Fed) are likely to continue to set the beat for global economies and financial markets. The risks are that China does not achieve a soft landing and that the Fed tightening cycle derails the US recovery. However, we expect increased policy clarity from the US and China to create a more palatable backdrop for emerging markets in 2016. While the lack of momentum in the world economy is likely to persist, market sentiment is poised to improve as markets readjust expectations regarding the Fed and China.

China's economy is indeed slowing, but, following recent market volatility, we expect policy makers to prioritise economic growth in the short run. As a result, we expect growth to stabilise over the coming quarters. We also think concerns of a hard landing are overblown. The market has focused on the manufacturing sector, which is facing pressure. But we think this misses the bigger picture of China's economic rebalancing. The services sector, which now contributes more than 50 per cent of China's GDP, is robust.

Following the rate hike in December 2015, we expect no further Fed rate increases in 2016, making the Fed tightening cycle very shallow. We expect the Fed funds rate to peak at 0.5 per cent by the first quarter of 2016, lower than the market anticipates, and for the Fed to cut rates again in late 2016 as US growth slows. This suggests that beyond the initial period when markets reprice risk, interesting opportunities will arise for investors.

Meanwhile, we expect oil prices to stay low in the first half of 2016, before rising in the second half due to non-OPEC production constraints. Low oil prices in the near term should boost growth in all the major economies including the US, Europe, Japan, China and India. Asia will continue to drive global growth. Africa could face short-term pressures. Although longer-term fundamentals such as demographics and urbanisation remain positive, the accumulation of foreign-currency debt, together with a dependence on commodities, leaves the region vulnerable to changes in the global environment.

In the Middle East, oil producers have prudently made use of past savings to absorb shocks to their domestic economies. In the

Gulf Cooperation Countries (GCC), we expect fiscal policy to tighten as oil prices remain below budget breakeven points in countries such as Saudi Arabia and the UAE for most of 2016. Liquidity is also likely to tighten as governments draw down their deposits with local financial institutions to fund their deficits. As the authorities use up domestic deposits to fund budgets, liquidity on the ground should begin to tighten.

We expect the eurozone economy to improve further in 2016 compared with 2015, supported by buoyant domestic demand. Growth should remain underpinned by low oil prices, a low trade-weighted euro exchange rate, and relatively low financing costs. Monetary and fiscal policy should be more supportive in 2016, and strong consumer sentiment – helped by falling unemployment and rising real incomes – should drive consumption. Bank lending to companies began to rise again in 2015, but ongoing deleveraging and high non-performing loans are likely to limit investment's contribution to growth. The main risks are that high unemployment brings political instability, damaging confidence, and that slow progress on reforms, especially in France and Italy, depresses confidence and limits growth potential. In Japan, 'Abenomics' and its combination of fiscal and monetary stimulus have helped to push up growth. Lower oil prices are also a significant benefit to Japan, though the resulting lower inflation will delay progress towards the 2 per cent inflation target.

Asia

We expect Asia's growth to be 6.1 per cent in 2016, compared to 6 per cent in 2015. After an eventful and volatile summer in 2015, there is market concern about whether Asia is heading for another recession like that seen in 1997 to 1998. We do not expect this as Asia's fundamentals are significantly stronger today than they were heading into that crisis. The first critical difference is that today's more freely moving exchange rates can adjust to changes in fundamentals, such as terms of trade, without leading to major knock-on credit events. Asia's external debt is now denominated in both local and foreign currency, and most foreign-currency debt is hedged or matched with known future foreign exchange (FX) receivables. Malaysia's foreign-currency-denominated debt now accounts for just 47 per cent of its total external debt, down sharply since before the Asian crisis. Ratios of FX reserves to short-term debt and imports have also improved. While risks from prior leverage excesses in some sectors and economies may reduce policy makers' options to boost growth, we think these risks are manageable.

China's economy is likely to grow by 6.8 per cent in 2016. We expect more policy clarity in the coming months, with the emphasis on supporting shorter-term growth. The key support for China's growth is likely to come from fiscal policy, complementing the monetary easing already implemented. In terms of fiscal policy, China is likely to continue to use quasi-fiscal policy stimulus via the recapitalisation of policy banks in order to support growth. Reforms that support longer-term growth, particularly state-owned enterprises reform, may also make more progress in the coming months. This should stabilise sentiment towards China and the region. The biggest risk to this view would be a further sudden, sharp weakening in the CNY, which we do not expect.

Elsewhere in Asia, progress is likely to continue to be made on domestic stimulus measures. Across Asia, we forecast further monetary easing (in Australia, Malaysia and Indonesia) or no policy change in the first half of 2016. In the second half, we expect some economies to tighten monetary policy, though only modestly and from ultra-accommodative levels. This will be partly in response to a gradual uptrend in inflation as energy price inflation resumes in 2016. Risks to our view are skewed towards the dovish side given persistently disappointing external demand in recent years and the lack of pent-up inflation pressure. Monetary conditions are also relatively tight in most economies; the only exceptions, by our estimates, are Malaysia and South Korea. Elections will be the main focus of 2016 in South Korea and the Philippines.

In Indonesia, public investment is also accelerating, albeit from a low base. While consumer spending is the bedrock of Indonesia's growth, the swing factor for 2016 is likely to be the implementation of infrastructure investment plans. President Jokowi appears to have an increased sense of urgency on this front.

In India, the government announced regulatory changes late in 2015 that should provide a significant long-term boost to foreign investment, raising foreign direct investment limits for sectors such as construction and single-brand retail, and improving procedures for investors. The immediate challenge to the investment outlook is the planned public-sector pay rise, which we think will cost the government 0.7-1 per cent of GDP in the 2017 fiscal year. This is likely to divert fiscal resources from public investment, which has driven India's investment recovery in the 2016 fiscal year. As a result, while growth may be higher next year (we forecast 7.6 per cent, versus 7.4 per cent in the 2016 fiscal year), it is likely to be driven less by investment and more by the one-off boost to consumer incomes.

Meanwhile, key reforms at the central government level – including amendments to the land acquisition law and implementation of the Goods and Services tax – have stalled. State governments may make better progress. While passage of the amended Land Acquisition Act – a key precondition for an investment recovery – faces political opposition at the central level, state governments may implement the law at the state level. Tamil Nadu, India's southeastern state, has already done so.

Sub-Saharan Africa (SSA)

We expect sub-trend growth in SSA economies to continue in 2016. We estimate growth to rise modestly to 3.2 per cent in 2016 from 2.4 per cent in 2015 but still below previous trend levels of around 5 per cent. An expected recovery in Nigeria will provide much of the momentum in 2016, after a year of negligible per-capita income growth driven by the oil-price collapse and the election-related slowdown. With a new cabinet in place, the hope is that 2016 will bring accelerated reforms and greater growth momentum. FX availability is a constraint in Nigeria. Our expectations of a 2016 recovery may be disappointed if the real economy continues to bear the burden of adjustment to weaker oil prices, with efforts to hold back demand in order to support a fixed exchange rate. South Africa has been caught in weak, sub-trend growth since the 2008-09 global financial crisis. Efforts to increase fiscal stimulus have not yielded the desired results. There is now little room for further stimulus as South Africa faces a higher public-debt ratio and the likelihood of further rating downgrades. The country's best hope for growth is to engage in meaningful structural reform.

Elsewhere in SSA, the growth picture varies. The impact of China's slowdown has already hurt SSA economies, largely through the channel of weak commodity prices. The impact is varied; economies dependent on mining and oil are the first to show signs of slowing, demonstrating rapid transmission through this channel. Economies more dependent on soft commodity exports have been better off, but only up to a point. In 2016, the commodity-led slowdown and FX volatility that marred much of 2015 are likely to translate into greater risk aversion towards SSA economies in general.

The region's growth tends to have a drawn-out reaction to global shocks. In 2016, the second-order effects of the slowdown already underway might be what matter. The absence of bank lending, new foreign direct investment and portfolio flows, and the greater difficulty SSA economies might face in obtaining foreign financing, could lead to a second wave of slowing in SSA economies. We do not expect this to take place consistently throughout the year, however. This bearish trend is likely to be concentrated in the first half of 2016; more dovish rhetoric from the Fed after its initial tightening, and confirmation that China's stimulus efforts have yielded positive results, should trigger a turnaround later in the year. A recovery in commodity prices will also be important.

Middle East and North Africa (MENA)

MENA countries are likely to see slightly lower growth in 2016. The Gulf Cooperation Council (GCC) economies are likely to witness slower growth on the back of cuts in government spending, including both current and capital expenditure, and slower oil-sector growth. GCC oil production is close to full capacity, with limited room to increase it at this point. Various policies have been implemented in 2015 to deal with the oil-price shock, limiting the shock to the real economy and business activity. By starting to reform energy subsidies, governments have laid the groundwork for better fiscal management in the long run; this would have not occurred in a high oil-price environment.

Abu Dhabi, Oman, Saudi Arabia and Kuwait are producing oil at close to full capacity in order to expand their oil sectors in real terms and mitigate the impact of the oil price shock in nominal terms. This strategy has proven effective, as 2015 real GDP growth has slowed only slightly and remains above the global average of around 3 per cent. However, applying this strategy in 2016 will prove much more difficult. There is limited room for manoeuvre, and despite oil and gas investment efforts, expanding current capacity will take time. We expect oil-sector growth to slow to 1-3 per cent for most GCC economies in 2016.

Both oil-exporting and oil-importing MENA economies have taken the opportunity to reform subsidies while oil prices are low. The pace of subsidy reform has picked up in 2015, and we expect it to accelerate further in 2016 as policy makers determine the most suitable reforms for their respective economies. The UAE has initiated the boldest subsidy reform to date, rationalising its fuel and diesel subsidies as of 1 August 2015. Saudi Arabia followed by raising water tariffs for industrial entities. Abu Dhabi increased water and electricity tariffs earlier in the year.

GCC economies have financed their fiscal deficits by issuing local-currency bonds and tapping savings, whether in the form of deposits with commercial banks or foreign-currency reserves abroad. This has kick-started the development of local currency debt markets, creating opportunities for market participants. It also enhances fiscal discipline and helps governments to focus on spending priorities.

Conclusion

The global economy still lacks momentum. While we are less optimistic than the markets on the US economy and think it has already peaked, we also expect the Fed's rate-hiking cycle to be much shallower than the markets anticipate. Our view on China is more optimistic than the consensus – we think that market concerns about a hard landing are overdone. In 2015, these two factors have weighed heavily on confidence. Emerging markets have been in retreat. Given our views on the US and China, we expect market sentiment and confidence to improve in 2016, especially for emerging markets – even with global growth flat.

Financial review

Performance summary

	2015 \$million	2014 \$million	Increase / (decrease) %
Client income	14,476	16,448	(12)
Other income	893	1,656	(46)
Operating income	15,369	18,104	(15)
Other operating expenses	(8,969)	(9,619)	7
Regulatory costs	(1,006)	(717)	(40)
UK bank levy	(440)	(366)	(20)
Total operating expenses	(10,415)	(10,702)	3
Operating profit before impairment losses and taxation	4,954	7,402	(33)
Impairment losses on loans and advances and other credit risk provisions	(4,008)	(2,141)	(87)
Other impairment	(188)	(403)	53
Profit from associates and joint ventures	192	249	(23)
Underlying profit before taxation¹	950	5,107	(81)
Restructuring	(1,845)	-	nm ²
Valuation methodology changes	(863)	-	nm ²
Net gains/(losses) on businesses disposed/held for sale	218	(2)	nm ²
Own credit adjustment	495	100	395
Civil monetary penalty	-	(300)	nm ²
Goodwill impairment	(362)	(758)	52
Statutory (loss)/profit before taxation	(1,407)	4,147	(134)
Common Equity Tier 1 (CET 1) end point basis (%)	11.7	10.6	10

1. Excludes \$495 million (2014: \$100 million) benefit relating to own credit adjustment, \$218 million on net gain (2014: \$2 million net loss) on businesses sold/hold for sale and \$863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments in 2015, \$1,845 million restructuring charge, \$362 million goodwill impairment (2014: \$758 million)

2. Not meaningful

Group income fell 15 per cent, or by \$2.7 billion, year-on-year to \$15.4 billion. A significant proportion of the decline was attributable to external factors alongside the decisive and strategic actions taken to reduce risk and improve returns in the medium term. Income in the fourth quarter of 2015, with income down 11 per cent on the previous quarter and down 27 per cent on the final quarter of 2014 as some of the external trend deteriorated throughout the year.

The full-year income decline has been driven by the following factors:

- Foreign exchange impact of around \$700 million as a result of emerging market currency weakness against the dollar
- Around \$400 million related to businesses that we have either sold or exited. In 2014, we sold our Retail business in Germany, our Retail securities business in Taiwan and exited our small and medium-sized enterprise business in the UAE. In 2015, we exited our institutional cash equities business and sold our consumer finance businesses in Korea, Hong Kong and China
- Negative mark-to-market valuations increased by around \$300 million year on year on a portfolio of legacy stick positions. The remaining portfolio is now marked to a fair value of below \$350 million. This portfolio has been materially reduced over the past two years and the potential for these assets to impact future performance is significantly reduced
- Around \$300 million related to market driven falls in underlying commodity linked income. Our deliberate de-risking actions accounted for an additional commodity income decline of \$100 million

- During the year we reduced our overall exposure to commodities by 28 per cent, with the portfolio now less than \$40 billion, or 8 per cent of total Corporate & Institutional and Commercial exposures. The active risk reduction of this portfolio is largely competed and, on the assumption that commodity prices remain at around current levels, we would not expect this portfolio to reduce materially from here. We will, however continue to assertively manage within this portfolio to ensure we have good diversity, lower volatility and more security
- Around \$200 million related to lower credit cards and Personal Loan income in Retail Banking, largely from active de-risking of our portfolios, in addition to the sale and exit of Consumer Finance businesses
- Finally, there was an impact from lower levels of client activity and there was almost certainly some loss of momentum as we implemented the new organisation structure and reduced headcount. The process for the senior staff levels is now largely complete with the majority of future headcount reductions likely to be achieved through managing natural attrition

Group operating expenses were closely managed during the year. Within Group expenses of \$10.4 billion, there was a significant increase in regulatory spend, up 40 per cent year on year to \$1,006 million, including a 22 per cent increase in the second half of the year. Additionally the UK bank levy increased 20 per cent to \$440 million. Excluding regulatory spend and the levy, operating expenses fell 7 per cent year-on-year.

We achieved more than \$600 million of cost efficiencies in 2015, including the benefits of businesses disposed or exited in the year of around \$200 million. We are commencing our programme to deliver a further \$2.3 billion

Financial review continued

over the next three years. We have reduced staff numbers by over 6,800 people during 2015. Through taking these tough decisions on costs, we are creating capacity to invest in repositioning our Retail and Private Banking businesses, in our Africa franchise, in our RMB services, and in enhancing controls.

Loan impairment, excluding charges of \$968 million taken in the fourth quarter of 2015 as we progressed the liquidation of the \$20 billion portfolio, increased by \$1,867 million to \$4,008 million. Loan impairment for the year, excluding all charges from the \$20 billion liquidation portfolio, was \$2,381 million, representing 91 basis points of loss on loans and advances to customers.

As a result of the above, underlying operating profit before tax of \$950 million was down 81 per cent.

Significant steps have been taken to strengthen the capital position, including optimising RWAs. In preparation for

liquidating a portfolio of assets beyond our tightened risk tolerance, we downgraded a small number of exposures to Non-Performing. The CET1 ratio of 11.7 per cent includes the RWA impact of these downgrades as well as the associated provisions booked as part of the restructuring charge. It is our expectation that the CET1 ratio will benefit from the RWAs released as we liquidate this portfolio.

Our actions in 2015 and those planned for 2016, have impacted near term performance, however they are critical steps to deliver significantly improved and more sustainable returns to shareholders in the long term. We are repositioning the business, and building a more resilient foundation which is more able to absorb future regulatory requirements, weather periods of market uncertainty and take advantage of selective growth opportunities when they arise.

Client segments performance

	2015 \$million	2014 \$million ²	Increase/ (decrease) \$million	Increase/ (decrease) %
Corporate & Institutional Clients	8,605	10,287	(1,682)	(16)
Commercial Clients	831	1,188	(357)	(30)
Private Banking Clients	559	613	(54)	(9)
Retail Clients	5,374	6,016	(642)	(11)
Total Operating Income ¹	15,369	18,104	(2,735)	(15)

1. Excludes \$495 million benefit relating to own credit adjustment (Corporate & Institutional), \$218 million net gain on businesses sold/hold for sale (Commercial: \$1million net loss Retail: \$219 million net gain) and \$863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments (Corporate & Institutional)

2. Excludes \$100 million benefit relating to own credit adjustment(Corporate & Institutional), \$2 million net loss on business sold/hold for sale (Retail)

Corporate & Institutional Clients (CIC) income was down 16 per cent year-on-year or \$1.7 billion. Of the decline in income:

- Around \$450 million related to foreign exchange translation given emerging market currency weakness against the US dollar. On a constant currency basis income was down 13 per cent
- Around \$400 million related to active de-risking of commodity linked accounts and smaller trade values as a result of lower commodity prices
- A further \$450 million related to challenging financial market conditions, particularly given volatility in the second half of the year, and by mark-to-market valuations on a small number of Capital Markets loan positions originated prior to 2013
- The remainder was the result of deliberate RWA management actions to improve returns, de-risking elsewhere, and a slowdown in underlying business

activity, particularly given challenging market conditions in the second half

Income from Commercial Clients of \$831 million was down 30 per cent, or 27 per cent on a constant currency basis. Income was impacted by planned client exits in 2015, subdued corporate activity driven by continued RMB volatility and a slowdown in China, impacting Financial Markets income in particular.

Income from Private Banking Clients of \$559 million was down 9 per cent. Excluding business exits income was down slightly, with weaker demand for Wealth Management products, mainly in Hong Kong and Singapore in the second half of the year.

Income from Retail Clients of \$5.4 billion was down 11 per cent. Excluding business and portfolio exits, de-risking and foreign currency translation, income was broadly flat. Income growth in Wealth Management and across Priority Clients was offset by planned de-risking of the unsecured portfolio and margin compression across a number of markets

Product Income

	2015 \$million	2014 \$million	Increase / (decrease) %
Transaction Banking	3,394	3,817	(11)
Financial Markets ¹	2,765	3,415	(19)
Corporate Finance	2,046	2,364	(13)
Lending and Portfolio Management	851	1,030	(17)
Wealth Management	1,736	1,705	2
Retail Products ²	4,132	4,846	(15)
Asset and Liability Management	428	663	(35)
Principal Finance	17	264	(94)
Total Operating Income¹	15,369	18,104	(15)

1. Excludes \$495 million (2014: \$100 million) benefit relating to own credit adjustment and \$863 million charge relating to the change in methodology for estimating credit and funding valuation adjustment in 2015

2. Excludes \$218 million net gain (2014: \$2 million net loss) relating to businesses sold/held for sale

- Transaction Banking Income fell 11 per cent with Trade income down 18 per cent and Cash Management and Custody income down 4 per cent. Lower income was driven by weak global demand for trade, declining commodity prices and abundant liquidity in our key markets, placing increased pressure on margins. Foreign exchange had a particular impact on Transaction Banking with income down 8 per cent on a constant-currency basis.
- Financial Markets income was down 19 per cent impacted by further negative mark-to-market revaluations on Capital Markets loan positions. Excluding these revaluations, Financial Markets income was down 11 per cent driven by reductions in Commodity and Foreign Exchange Options income. This was partially offset by income growth in Rates, up 6 per cent, and Cash Foreign Exchange, up 2 per cent
- Corporate Finance income fell 13 per cent due to challenging market environment in the footprint, higher competition due to excess liquidity and focus on selective asset origination. This resulted in pricing pressures and lower origination levels in our financing businesses
- Lending & Portfolio Management income was down 17 per cent driven by a decline in lending balances resulting from return optimisation activities coupled with lower margins
- Wealth Management income rose 2 per cent year-on-year. Strong growth in the first half was largely offset by slower momentum in the second half due to client exits in Private Banking as we managed the segment within tighter risk tolerances, more volatile equity markets and the RMB devaluation
- Retail Products income declined 15 per cent due to adverse foreign currency translation, planned de-risking in unsecured products, and margin compression
- Asset & Liability Management decreased by 35 per cent due to lower accruals income partially offset by an increase in gains from liquidation of available for sale holdings
- Principal Finance income declined 94 per cent primarily impacted by weak equity markets leading to higher fair value losses in investments and lower realised gains on exits.

Expenses

	2015 \$million	2014 \$million	Increase /(decrease) \$million	Increase / (decrease) %
Staff costs (includes variable compensation)	5,999	6,463	(464)	(7)
Premises costs	772	872	(100)	(11)
General administrative expenses	1,601	1,720	(119)	(7)
Depreciation and amortisation	597	564	33	6
Other operating expenses¹	8,969	9,619	(650)	(7)
UK bank levy	440	366	74	20
Regulatory costs	1,006	717	289	40
Total operating expenses	10,415	10,702	(287)	(3)

1. Excludes restructuring costs and the civil monetary penalty in 2014

Other operating expenses, excluding the UK Bank Levy, regulatory and restructuring costs, fell 7 per cent to \$8,969 million, driven by a 7 per cent reduction in staff costs year-on-year as we have reduced headcount. We delivered in excess of our planned \$600 million cost efficiencies in 2015 and are commencing our programme to deliver \$2.3 billion more over the next three years.

Overall, Group costs were down 3 per cent. The significant reduction in operating expenses was partially offset by

increases in regulatory costs and the UK bank Levy.

Regulatory costs were up 40 per cent to over \$1 billion in 2015 as we continued to invest in our control and compliance capabilities.

The UK Bank Levy was \$440 million, up 20 per cent. The rate of the levy will fall gradually from 0.21 per cent of eligible liabilities to 0.1 per cent by 2021. At that point the levy will also change from being charged on the Group's global balance sheet to just the UK balance sheet.

Impairment

	2015 \$million	2014 \$million	Increase /(decrease) \$million	Increase /(decrease) %
Corporate & Institutional Clients ¹	2,638	991	1,647	166
Commercial Clients	599	212	387	183
Private Banking Clients	94	-	94	nm ²
Retail Clients	677	938	(261)	(28)
Impairment on loans and advances and other credit risk provisions	4,008	2,141	1,867	87
Other impairment ³	188	403	(215)	(53)
Total impairment	4,196	2,544	1,652	65

1. Excludes \$968 million relating to restructuring actions

2. Not meaningful

3. Excludes \$56 million relating to restructuring actions

Excluding \$968 million of loan impairment incurred as a restructuring charge in preparation to exit exposures in the liquidation portfolio, the Group's underlying loan impairment of \$4,008 million was up 87 per cent year-on-year and is made up of:

- \$1,627 million loan Impairment incurred on assets in the liquidation portfolio
- \$2,381 million loan Impairment related to ongoing businesses

Within this, Retail Client loan impairment fell 28 per cent to \$677 million, representing 70 basis points of loss, as a result of deliberate de-risking actions taken, notably in Korea,

Thailand and Malaysia, and the disposal of our Consumer Finance businesses.

Corporate & Institutional Clients and Commercial Clients loan impairment, increased significantly to \$3.2 billion. We have reviewed the portfolio extensively through 2015 and have increased provisioning, largely to reflect lower commodity prices as well as further deterioration in India.

Other impairment of \$188 million was down 53 per cent year-on-year and related to impairments in the period against aircraft and strategic investments.

Standard Chartered Bank

Financial review continued

Group risk metrics (inclusive of the liquidation portfolio and restructuring charges)

	2015	2014
Gross non-performing loans (\$million)	12,759	7,492
Cover ratio ¹	53%	52%
Collateral held against impaired assets (\$million) ²	2,425	1,462
Retail unsecured ratio	15%	19%
Credit Grade 12 (\$million) ³	1,432	5,618

1. Including portfolio impairment provision

2. Adjusted to exclude the impact of over-collateralisation

3. On loans and advances to customers excluding banks

The above table reflects the significant actions taken since the announcement of our strategy to strengthen the balance sheet and reduce concentrations

- Gross non-performing loans (NPLs) have increased significantly, from \$7.5 billion at the start of 2015 to \$9.5 billion as at 30 September 2015. NPLs then increased sharply in the final quarter to \$12.8 billion largely relating to downgrades in the liquidation portfolio. Accounts in Credit Grade 12 (CG12), our lowest-performing credit grade, reduced by a similar amount in the final quarter
- The changes in both the CG12 accounts and NPLs were mainly due to downgrading an interconnected group of exposures within the liquidation portfolio from CG12 to NPLs. Impairment against this group of exposures has been included in the restructuring charges based on the assessment of likely recoverable amounts
- We are making progress towards resolving the liquidation portfolio. However, as we execute on the liquidations we may require further impairments in 2016
- Excluding the liquidation portfolio, the cover ratio on our Corporate & Institutional Clients and Commercial Clients segments has increased to 59 per cent, or to 70 per cent after including collateral
- Corporate & Institutional Clients NPL inflows in the nonliquidation portfolio slowed in the fourth quarter of 2015 when compared with the previous two quarters with the vast majority of new NPL inflows coming from accounts that have been on early alert for more than 12 months. While encouraging, a single quarter does not make for trend

Further detail on restructuring charge taken in the year

The total restructuring charge taken in the year of \$1,845 million is made up of the following amounts, split by segment:

	Corporate and Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million	Corporate items not allocated \$million	Total \$million
Redundancy and other restructuring expenses	231	56	8	400	-	695
Loan impairment	968	-	-	-	-	968
Impairment of associates and fixed assets	13	20	-	23	-	56
Goodwill impairment	-	-	-	-	126	126
Total Restructuring	1,212	76	8	423	126	1,845

We remain confident in the original estimated cost for our planned restructuring of around \$3 billion.

Financial review continued

Further detail on the liquidation portfolio

To assist the analysis of both the liquidation portfolio and the rest of the Group's portfolio, the following tables splits key disclosures across the balance sheet and profit and loss account.

	2015		
	Liquidation portfolio \$million	Ongoing business \$million	Total \$million
Impairment			
Impairment losses on loans and advances	1,627	2,381	4,008
Restructuring impairment charge	968	–	968
Total impairment charge	2,595	2,381	4,976
Loans and advances			
Gross loans and advances to customers	7,940	260,015	267,955
Net loans and advances to customers	4,396	256,879	261,275
Credit quality			
Gross non-performing loans	7,512	5,247	12,759
Individual impairment provisions	3,544	2,584	6,128
Net non-performing loans	3,968	2,663	6,631
Cover ratio ¹	47%	62%	53%
Cover ratio (after collateral) ²	64%	71%	67%
CG 12 loans	428	1,004	1,432

1. Including portfolio impairment provision

2. Excluding portfolio impairment provision

Group Balance Sheet inclusive of the liquidation portfolio

	2015 \$million	2014 \$million	Increase / (decrease) \$million	Increase / (decrease) %
Total assets	639,792	723,763	(83,971)	(12)
Total equity	47,273	48,819	(1,546)	(3)
Loans and advances to customers	261,275	288,452	(27,177)	(9)
Deposit by banks	38,163	55,233	(17,070)	(31)
Customer deposits	359,127	414,189	(55,062)	(13)
Advances-to-deposits ratio	72.8%	69.6%		
Liquid asset ratio	30.9%	32.3%		

In 2015 we have actively managed the balance sheet to increase the capital ratio, to retain high quality deposits, price away low quality deposits, and optimise RWAs for better returns. As a result the balance sheet is more diverse, more efficient and provides a stronger platform to support the execution on the strategy.

Customer loans and advances were down 9 per cent as we focused on disciplined balance sheet management and more selective asset origination. Customer deposits were down 13 per cent as we concentrated on lower cost sources of funding, running down less attractive liabilities and investing

in businesses, such as Cash Management and Custody that generate valuable liquidity. Currency depreciation against the US dollar impacted the balance sheet in the period.

Excluding the impact of foreign exchange, customer loans and advances were down 5 per cent and customer deposits down 6 per cent.

Overall, the Group remains highly liquid with an advances to deposits ratio of 72.8 per cent and Net Stable Funding Ratio and the Liquidity Coverage Ratio above 100 per cent.

Financial review continued

Capital

Capital ratios and risk-weighted assets	2015	2014
	\$million	\$million
Common Equity Tier 1 (CET 1) transitional ratio	11.7%	10.5%
Common Equity Tier 1 (CET 1) full end point	11.7%	10.6%
Total capital transitional	18.3%	16.4%
Leverage ratio	5.1%	N/A
Total risk weighted assets transitional	300,114	339,842

Capital Management applies to the Group's regulated consolidations and entities. The Group's Common Equity Tier 1 (CET1) ratio increased from 10.5 per cent to 11.7 per cent, as a result of a decrease in risk-weighted assets (RWA) from asset reductions, business disposals and RWA efficiencies. The Group balance sheet is strong, highly liquid and with low leverage.

Summary and outlook

The weak momentum in the business reflects continued challenging market conditions combined with the immediate impact of the actions we have taken to strengthen the position of the Group. As we look forward, stresses remain apparent in our markets, and therefore we will continue to actively manage our portfolios. We have increased our capital base and are taking fundamental actions to reposition the Group for improved returns. The external headwinds are not improving. However, the strategy we are following is right for the Group. In these challenging conditions it is all the more important that we continue to execute with conviction and discipline. 2016 will be a year of accelerated execution. We will intensify our focus on balance sheet optimisation and cost efficiency, and on investing to enhance controls and drive stronger returns in the future.

Financial Review continued

Corporate and Institutional Clients

Corporate & Institutional Clients comprises Global Corporates, Local Corporates and Financial Institutions. With effect from January 2016, the segment has been renamed Corporate & Institutional Banking, and certain Local Corporate clients have been transferred to the new Commercial Banking segment.

Underlying operating profit fell 79 per cent, primarily due to weaker income from Corporate clients and Financial Markets products, coupled with increased Loan impairment:

- Income from Corporate clients' fell 16 per cent as a result of lower commodity-linked income, a slowdown in client activity in our footprint, more selective asset origination and the impact of de-risking
- Financial Markets income was significantly impacted by mark-to-market valuations on a small number of loan positions and by challenging market conditions, particularly in the second half of the year
- Impairments increased significantly, primarily driven by exposures to commodities and India, where corporate were impacted by continued stress on their balance sheets, coupled with a more challenging refinancing environment

We have made good progress in reshaping the business to address the challenges we face and deliver the Group's commitments on capital accretion and return on equity:

- We delivered risk-weighted assets (RWAs) efficiencies in 2015 through a combination of targeted initiatives and selective origination
- Good progress on a significant restructuring of the business, with substantial cost savings expected in 2016
- Our multi-year investment plan to build infrastructure and frontline capacity for Investor clients is on track. Income from these clients rose 13 per cent in 2015
- The proportion of clients generating 80 per cent of our income increased slightly to 20.3 per cent. The average number of products and markets per client were stable at 6.3 and 3.0 respectively
- Non-financing revenues rose 2 per cent and non-financing revenue ratio increased to 47 per cent from 41 per cent in 2014. Activity levels in key non-financing products such as Foreign Exchange (FX) and Cash Management grew strongly compared to 2014.

Financial performance

The following tables provide an analysis of financial performance for Corporate and Institutional Clients:

	2015	2014	Increase / (decrease)
	\$million	\$million	%
Transaction Banking	2,940	3,236	(9)
Financial Markets	2,675	3,206	(17)
Corporate Finance	2,029	2,339	(13)
Lending and Portfolio Management	662	770	(14)
Asset and Liability Management	253	439	(42)
Principal Finance	46	297	(85)
Operating income¹	8,605	10,287	(16)
Operating expenses ²	(5,108)	(5,121)	-
Loan impairment ³	(2,638)	(991)	(166)
Other impairment ⁴	(171)	(307)	44
Profit from associates and joint ventures	171	199	(14)
Underlying profit^{1,2,3,4}	859	4,067	(79)
Client income	8,015	9,003	(11)
Customer loans and advances	140,259	157,849	(11)
Customer deposits	200,975	244,731	(18)

1. Excludes \$495 million benefit (2014: \$100 million) relating to own credit adjustment and \$863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments

2. Excludes \$231 million charge relating to restructuring actions

3. Excludes \$968 million charge relating to restructuring actions

4. Excludes \$13 million charge relating to restructuring actions

Financial Review continued

Corporate & Institutional Clients had a challenging year, with the second half, in particular, impacted by a deterioration in market conditions. This resulted in operating income falling 16 per cent to \$8,605 million. Excluding the impact of mark-to-market valuations on a small number of Capital Markets loan positions, operating income declined 14 per cent.

Client income, constituting 93 per cent of operating income, fell 11 per cent to \$8,015 million. This decline was due to lower income from Corporate clients, which fell 16 per cent, impacted by lower commodity-linked income, more selective asset origination and a slowdown in client activity in our footprint. Income from Financial Institutions clients declined 1 per cent, with a strong performance from our Investors client segment, offset by lower income from the Banks client segment due to lower Trade Finance activity.

Income from Transaction Banking fell 9 per cent to \$2,940 million, primarily due to Trade Finance, which declined 18 per cent to \$1,351 million impacted by weaker demand, declining commodity prices, abundant liquidity in key markets and de-risking actions. Income from Cash Management and Custody was flat at \$1,589 million with lower Cash Management income due to margin compression and adverse foreign currency translation, largely offset by strong growth in Custody.

Financial Markets income fell 17 per cent, driven by mark-to-market valuations on a small number of Capital Markets loan positions, subdued syndication loan volumes, and weaker

Commodities, Credit and FX Options income. This was partially offset by growth in Rates and Cash FX.

Corporate Finance income fell 13 per cent, due to the challenging market environment across our footprint, more selective asset origination and higher competition due to excess liquidity in our markets.

Asset and Liability Management income declined 42 per cent, as a result of lower accrual income. Principal Finance income fell 85 per cent, impacted by higher fair value losses on listed investments and lower realised gains on exits.

Operating expenses were flat at \$5,108 million, with structural cost savings offset by increased regulatory and compliance costs.

Total impairment rose by \$1,511 million to \$2,809 million, primarily driven by exposures to commodities and India, where corporates were impacted by continued stress on their balance sheets, coupled with a more challenging refinancing environment.

Underlying operating profit fell by \$3,208 million, or 79 per cent, to \$859 million.

Balance sheet

Customer loans and advances fell 11 per cent reflecting more selective asset origination, internal de-risking actions in the commodities portfolio, the continued impact of a slowdown in China and commodities price declines.

Customer deposits fell 18 per cent as we optimised our funding mix against a backdrop of declining assets.

Financial Review continued

Commercial Clients

The Commercial Clients segment serves medium-sized businesses which are managed by dedicated relationship managers. With effect from January 2016, the segment has been renamed Commercial Banking and includes certain Local Corporate clients transferred from Corporate & Institutional Clients.

The segment reported an underlying operating loss in 2015, impacted by increased loan impairment, client exits and de-risking, weaker Financial Markets income and foreign currency translation

- Total impairment more than doubled, driven by a deterioration in India, Africa, Korea, the UAE and China
- Our client due diligence (CDD) remediation programme continued in 2015, and we either exited or moved clients to other client segments if their risk profile did not fit into the Commercial Clients model or if they would be better served in another client segment
- The decline in Financial Markets income was driven by lower demand for FX Options due to RMB volatility

We are significantly restructuring this segment to deliver improved returns for shareholders. To achieve this, we are securing the foundations on which to build the Commercial Banking business of the future:

- We have reduced operational risk through our CDD remediation programme, which is now largely complete, and by exiting our SME business in the UAE
- We are targeting cost-base efficiencies and are optimising \$8 billion of low returning RWAs
- We have improved the client experience by upgrading leadership and talent in each of our main markets and by implementing process improvements to reduce turnaround times
- We are integrating Local Corporates clients into the Commercial Clients segment to create a better-aligned and more efficient business
- We continue to build out our network proposition, partnering with Corporate & Institutional Banking to bank the buyers and suppliers of their International Corporate clients
- We have a renewed focus on expanding the client base with almost 3,000 new customers added across the network in 2015.

Financial performance

The following tables provide an analysis of financial performance for Commercial Clients:

	2015 \$million	2014 \$million	Increase/(decrease) %
Transaction Banking	442	562	(21)
Financial Markets	90	209	(57)
Corporate Finance	14	25	(44)
Lending and Portfolio Management	189	260	(27)
Wealth Management	86	122	(30)
Retail Products	18	11	64
Asset and Liability Management	21	32	(34)
Principal Finance	(29)	(33)	(12)
Operating income¹	831	1,188	(30)
Operating expenses ²	(714)	(743)	4
Loan impairment	(599)	(212)	(183)
Other impairment ³	(7)	(35)	80
Profit from associates and joint ventures	14	22	(36)
Underlying (loss)/profit^{1,2,3}	(475)	220	(316)
Client income	823	1,128	(27)
Customer loans and advances	11,107	14,651	(24)
Customer deposits	19,071	22,787	(16)

1. Excludes \$1 million (2014: \$1 million) net loss on business sold/held for sale

2. Excludes \$56 million charge relating to restructuring actions

3. Excludes \$20 million charge relating to restructuring actions

Financial Review continued

Operating income declined 30 per cent to \$831 million.

Income from Transaction Banking and Lending declined 21 per cent and 27 per cent respectively, impacted by CDD remediation and client exits, as well as by currency depreciation, margin compression and weaker market-wide trade activity. Cash Management and Custody income fell, impacted by declining balances in most markets and margin compression in Korea and China.

Financial Markets income fell 57 per cent impacted by the slowdown of the FX Options activity in Greater China as renminbi (RMB) depreciation and volatile market conditions reduced client demand for hedging.

Expenses decreased 4 per cent to \$714 million due to lower product costs from reduced business volumes.

Loan impairment increased by \$387 million to \$599 million, driven by additional impairments on a small number of specific clients in India, coupled with higher impairments in Africa, Korea, the UAE and China, due to the deterioration of market conditions.

Underlying operating profit fell by \$695 million to a loss of \$475 million on lower income and higher Loan impairment.

Balance sheet

Customer loans and advances decreased by 24 per cent as a result of client exits and transfers and from lower Trade Finance balances.

Customer deposits fell 16 per cent reflecting client exits, increased levels of competition in Hong Kong and Singapore and optimisation of our funding mix.

Financial Review continued

Private Banking Clients

Private Banking Clients is dedicated to providing high net worth clients with a comprehensive suite of products and services tailored to meet their financial needs.

Underlying operating profit fell 34 per cent, impacted by an impairment provision relating to a single client case, lower income due to business exits and transfers, and from more challenging market conditions in the second half of the year.

We have made good progress against our refreshed strategy to reshape the business, but significant further work is required, including strengthening the control environment, as we continue to focus on growing this client segment:

- Frontline hiring is proceeding according to plan, with over 80 relationship managers hired in 2015. However, staff attrition remains a challenge with continued high levels of competition for staff within the region. To address this, we are focusing on making our employee proposition more compelling
- Following the \$94 million impairment provision in the first half, we took assertive action to strengthen the control environment. To support this, we have made good progress on our three-year technology and operations programme and introduced new risk tolerances and client selection criteria
- We have deepened existing client relationships, evidenced by the growth in recurring investment product revenues. Investment penetration increased to 57 per cent of Assets under Management (AUM) from 51 per cent at the end of 2014
- We added over 1,000 new clients in 2015, including over 80 successful referrals from the One Bank collaboration programme, up from 50 during the first half of 2015. These referrals included co-investments and leveraged finance client deals in our ultra-high net worth segment (UHNW)

Financial performance

The following tables provide an analysis of financial performance for Private Banking Clients:

	2015	2014	Increase / (decrease)
	\$million	\$million	%
Transaction Banking	1	1	-
Corporate Finance	3	-	nm ²
Wealth Management	379	407	(7)
Retail Product	169	189	(11)
Asset and Liability Management	7	16	(56)
Operating income	559	613	(9)
Operating expenses ¹	(363)	(450)	19
Loan impairment	(94)	-	nm ²
Other impairment	(5)	(16)	69
Underlying profit¹	97	147	(34)
Client income	532	586	(9)
Customer loans and advances	15,060	18,030	(16)
Customer deposits	24,532	29,621	(17)

1. Excludes \$8 million charge relating to restructuring actions

2. Not meaningful

Income from Private Banking declined 9 per cent compared to 2014, impacted by the exit of our Geneva business and client transfers to the Retail Client segment in Jersey. Excluding these items (exits and transfers), income declined 3 per cent due to volatile market conditions in the second half of the year, which led to a drop in client investment activity. This impacted Wealth Management momentum in Funds and Treasury products, particularly in ASEAN.

AUMs declined 2 per cent to \$57 billion, excluding exits and transfers, impacted by the decline in equity markets in the second half, coupled with weaker net new money inflows due to more selective client acquisition and de-risking efforts.

Expenses declined 19 cent due to Geneva exit costs incurred in 2014, business transfers and a one-off insurance credit. Excluding these items, expenses rose 10 per cent with

increased investment in frontline staff, our UNHW programme and control functions.

Loan impairment increased to \$94 million following an impairment provision relating to a single client case.

Underlying operating profit fell by \$50 million, or 34 per cent, to \$97 million.

Balance sheet

Customer loans and advances fell by 16 per cent, driven by a decrease in collateralised lending.

Customer deposits fell 17 per cent. Excluding the impact of exits and transfers, deposits declined 12 per cent as a result of clients capitalising on tactical market investment opportunities, coupled with our strategic business focus on growing investment based AUM.

Financial Review continued

Retail Clients

Retail Clients serves Priority, Personal and Business Clients.

Retail Clients is 18 months into a transformational shift towards a more sustainable, profitable, digital model. The external market was challenging in 2015, primarily due to a slowdown in China and its contagion effects, adverse foreign exchange movements and central bank rate reductions in key markets.

Underlying operating profit fell 13 per cent with the impact of business exits, de-risking and adverse foreign currency translation more than offsetting over \$200 million of cost saves and a decrease in Loan impairment:

- Operating income fell 11 per cent to \$5,374 million. Income was flat excluding the impact of foreign currency translation, de-risking and business and portfolio exits
- Expenses decreased 6 per cent as a result of cost efficiency initiatives, business and portfolio exits and foreign currency translation
- Loan impairment decreased 28 per cent, benefitting from the de-risking actions in the unsecured lending portfolio and the sale of the Consumer Finance business

Our Retail Banking transformation is well under way and has continued to make good progress in 2015:

- Continued growth in Priority and Wealth Management despite a weaker second half performance. Share of Priority income grew from 27 per cent to 35 per cent
- Delivered over \$200 million of cost saves, driven by a headcount reduction of over 6,500, optimisation of around 150 branches and around 50 per cent reduction in the number of credit card products offered
- Greater risk alignment through the completion and implementation of the Operational Risk Framework. New global credit framework was designed and rolled out
- Enhanced conduct and client experience resulting in 30 per cent reduction in complaints and Net Promoter Score (NPS) maintained above market average.
- Continued buildout of online capabilities and standardisation of product platforms
- Strengthening of conduct continues to be a key focus, with enhancements to CDD processes

Financial performance

The following tables provide an analysis of financial performance for Retail Clients:

	2015	2014	Increase/ (decrease)
	\$million	\$million	%
Transaction Banking	11	18	(39)
Wealth Management	1,271	1,176	8
Retail Products	3,945	4,646	(15)
Asset and Liability Management	147	176	(16)
Operating income¹	5,374	6,016	(11)
Operating expenses ²	(3,790)	(4,022)	6
Loan impairment	(677)	(938)	28
Other impairment ³	(5)	(45)	89
Profit from associates and joint ventures	7	28	(75)
Underlying profit^{1,2,3}	909	1,039	(13)
Client income	5,106	5,731	(11)
Customer loans and advances	94,849	97,922	(3)
Customer deposits	114,549	117,050	(2)

1. Excludes \$219 million net gain (2014: \$1 million net loss) on businesses sold/held for sale

2. Excludes \$400 million charge relating to restructuring actions

3. Excludes \$23 million charge relating to restructuring actions

Financial Review continued

Operating income fell 11 per cent to \$5,374 million.

Underlying income was flat, adjusting for the adverse impact of foreign currency translation, planned de-risking and the impact of business and portfolio exits. Growth in Wealth Management income was offset by lower mortgage margins and a decline in credit card volumes.

Wealth Management income grew 8 per cent, primarily from continued momentum in Bancassurance, reflecting our focus on capturing value from the strategic multi-year partnership with Prudential. Income in the first half of the year grew strongly, but momentum slowed in the second half due to volatile market conditions impacting income for Treasury and Funds products.

Income from credit cards and personal loans (CCPL) declined 24 per cent, or \$611 million, due to foreign currency translation, business and portfolio exits – including Consumer Finance business – and the impact of de-risking the personal lending portfolio in Korea, Taiwan and Thailand. Excluding these factors, income fell 4 per cent, mainly from lower credit card volumes and margin compression.

Income from Mortgages and Auto declined 11 per cent due to foreign currency translation and business exits. Excluding these factors, income fell 3 per cent, impacted by margin compression, primarily in Singapore and Korea.

Income from Deposits declined 3 per cent due to adverse foreign currency translation. Excluding this, income rose 2 per cent with continued growth in CASA volumes and the roll-off of higher cost Time Deposits.

Expenses decreased 6 per cent as a result of cost efficiency initiatives, business and portfolio exits and foreign currency movements.

Loan impairment fell 28 per cent to \$677 million due to lower levels of unsecured lending impairments in Korea, which benefitted from de-risking actions and from the sale of the Consumer Finance business.

Underlying operating profit declined 13 per cent, but rose 6 per cent, excluding the impact of foreign currency translation and business and portfolio exits, driven by cost savings and lower loan impairment.

Balance Sheet

Loans and advances to customers fell by 3 per cent due to adverse foreign currency movements, business and portfolio exits and the continued impact of de-risking actions.

Underlying loans and advances grew by 2 per cent, driven by mortgage growth in Hong Kong and Korea.

Standard Chartered Bank

Financial Review continued

Operating income by product and segment

Income by product and client segment is set out below:

	2015				
	Total \$million	Corporate & Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million
Lending and Portfolio Management	851	662	189	-	-
Transaction Banking	3,394	2,940	442	1	11
Trade	1,607	1,351	244	1	11
Cash Management and Custody	1,787	1,589	198	-	-
Financial Markets	2,765	2,675	90	-	-
Foreign Exchange	1,357	1,257	100	-	-
Rates	801	782	19	-	-
Commodities and Equities	360	354	6	-	-
Capital Markets	(18)	2	(20)	-	-
Credit and Other ¹	265	280	(15)	-	-
Corporate Finance	2,046	2,029	14	3	-
Wealth Management	1,736	-	86	379	1,271
Retail Products	4,132	-	18	169	3,945
Cards, Personal Loans and Unsecured Lending	1,967	-	1	-	1,966
Deposits	1,187	-	14	120	1,053
Mortgage and Auto	837	-	-	47	790
Other Retail Products ¹	141	-	3	2	136
Asset and Liability Management	428	253	21	7	147
Principal Finance	17	46	(29)	-	-
Total Operating income¹	15,369	8,605	831	559	5,374

1. Excludes \$495 million benefit relating to own credit adjustment, \$218 million net gain on businesses sold/held for sale (Commercial \$1 million net loss and Retail \$219 million net gain), and \$863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments.

	2014				
	Total \$million	Corporate & Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million
Lending and Portfolio Management	1,030	770	260	-	-
Transaction Banking	3,817	3,236	562	1	18
Trade	1,963	1,641	303	1	18
Cash Management and Custody	1,854	1,595	259	-	-
Financial Markets	3,415	3,206	209	-	-
Foreign Exchange	1,327	1,171	156	-	-
Rates	752	724	28	-	-
Commodities and Equities	497	484	13	-	-
Capital Markets	439	436	3	-	-
Credit and Other ¹	400	391	9	-	-
Corporate Finance	2,364	2,339	25	-	-
Wealth Management	1,705	-	122	407	1,176
Retail Products	4,846	-	11	189	4,646
Cards, Personal Loans and Unsecured Lending	2,577	-	-	-	2,577
Deposits	1,224	-	10	132	1,082
Mortgage and Auto	939	-	-	56	883
Other Retail Products ¹	106	-	1	1	104
Asset and Liability Management	663	439	32	16	176
Principal Finance	264	297	(33)	-	-
Total Operating income¹	18,104	10,287	1,188	613	6,016

1. Excludes \$100 million benefit relating to own credit adjustment and \$2 million net loss on businesses sold

Financial Review continued

Transaction Banking: Income fell 11 per cent, with Trade income down 18 per cent and Cash Management and Custody income down 4 per cent, impacted by continuing market headwinds, adverse foreign currency translation and de-risking actions. Trade income was impacted by weaker trade finance demand, declining commodity prices and abundant liquidity in key markets. Cash Management saw strong growth in high quality operating balances, but income declined due to reduced margins, which were impacted by lower interest rates in key markets. Custody income grew, driven by higher transaction volumes and market liberalisation initiatives in Greater China during the first half of the year.

Lending and Portfolio Management: Income decreased 17 per cent, driven by a decline in lending balances resulting from return optimisation activities coupled with lower margins.

Financial Markets: Income was down 19 per cent, impacted by incremental mark-to-market valuations on loan positions, subdued syndication loan volumes, and weaker Commodities and FX Options income. This was partially offset by growth in Rates and Cash FX. Excluding mark-to-market losses valuations on loan positions, Financial Markets income declined 11 per cent.

FX income rose 2 per cent, with increased Cash FX income offsetting declines in FX Options. Cash FX income was driven by increased market share from Financial Institution clients, which more than offset the structural trend of tightening spreads. FX Options income was impacted by market events in the Greater China region.

Rates income rose 7 per cent, primarily driven by increased Structured Callable Note issuance, particularly amongst Financial Institution clients. Credit income was down, impacted by lower trading volumes in Greater China.

Commodities and Equities income fell 28 per cent, with Commodities impacted by the tightening of internal credit limits and by falling commodities prices which reduced client activity levels. Equities income was impacted by the exit of our Cash Equities business at the start of 2015.

Capital Markets income decline was driven by mark-to-market valuation losses on loan positions originated before 2013 and lower market activity in our footprint.

Corporate Finance: Income fell 13 per cent due to challenging market environment in the footprint, higher competition due to excess liquidity and a focus on selective asset origination. This resulted in pricing pressures and lower origination levels in our financing businesses.

Principal Finance: Income declined 94 per cent due to lower realised gains on exits and higher fair value losses on investments which were impacted by weaker equity market valuations in our footprint.

Wealth Management: Income rose 2 per cent, with strong growth in the first half offset by slower momentum in the second half. This slowdown was due to extremely volatile market conditions which led to lower client investment and trading activities in equities and funds. Bancassurance income grew strongly with double digit increase in new premiums sold through our retail channels, and reflecting our focus on capturing value from the strategic multi-year partnership with Prudential. AUM grew 4 per cent from inflows into bonds and cash equities in first half partially offset by negative market valuations in the second half of the year.

Retail Products: Income declined 15 per cent due to adverse foreign currency translation, business exits, de-risking and margin compression. These factors particularly impacted income from CCPL and Mortgages and Auto income. Deposit income fell 3 per cent due to adverse foreign currency translation but rose on a constant currency basis reflecting continued growth in CASA volumes and the strategic exit of high-cost Time Deposits.

Asset and Liability Management: Income decreased 35 per cent due to lower accruals income, partially offset by an increase in gains from liquidation of available-for-sale holdings.

Standard Chartered Bank

Financial Review continued

Performance by geographic region

The following table provides an analysis of operating income and profit by geographic region:

	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Operating income ¹	5,048	1,230	1,446	2,990	1,511	1,439	867	838	15,369
Underlying profit/(loss) ^{1,2}	1,528	(72)	(377)	133	121	(30)	(5)	(348)	950

	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Operating income ³	5,444	1,476	1,863	3,713	1,847	1,834	863	1,064	18,104
Underlying profit/(loss) ^{3,4}	2,089	(115)	810	901	771	673	169	(191)	5,107

1. Excludes own credit adjustment, a change in the methodology for estimating credit and funding valuation adjustments, and net gains on businesses sold/held for sale

2. Excludes restructuring actions and goodwill impairment

3. Excludes own credit adjustment and net loss on businesses sold/held for sale

4. Excludes goodwill impairment and the civil monetary penalty

Financial Review continued

Greater China

The following table provides an analysis of performance in the Greater China region:

	2015	2014	Increase / (decrease)
	\$million	\$million	%
Client income	4,550	5,029	(10)
Other income	498	415	20
Operating income ¹	5,048	5,444	(7)
Operating expenses ²	(2,946)	(2,921)	(1)
Loan impairment	(701)	(469)	(49)
Other impairment ^{3,4}	(46)	(142)	68
Profit from associates and joint ventures	173	177	(2)
Underlying profit ^{1,2,3,4}	1,528	2,089	(27)
Net interest margin (%)	1.5	1.7	
Customer loans and advances ⁵	77,675	89,646	(13)
Customer deposits ⁵	132,062	151,644	(13)

1. Excludes \$49 million (2014: \$94 million) benefit relating to own credit adjustment, \$250 million (2014: \$3 million) net gain on businesses sold/held for sale, and \$14 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments

2. Excludes \$80 million charge relating to restructuring actions

3. Excludes \$2 million charge relating to restructuring actions

4. Excludes \$362 million charge relating to goodwill impairment (2014: \$32 million charge)

5. Based on the location of the clients rather than booking location

Income in Greater China was down 7 per cent to \$5,048 million. Market conditions were more challenging in the second half of the year, amidst a slowing economic environment across the region.

Segment performance was mixed, with resilient income growth in Retail Clients and Private Banking Clients, excluding the impact of exits, offset by declines in Corporate & Institutional Clients and Commercial Clients. Other income increased 20 per cent due to higher Principal Finance income.

Retail Clients income declined 4 per cent, impacted by the exit of the Consumer Finance business. Excluding this impact, income rose 2 per cent. Performance in Hong Kong was resilient, with growth in income from Mortgages and Wealth Management despite market volatility in the second half of the year.

In China, Retail Clients benefitted from higher Wealth Management and Retail Products income. Growth in Hong Kong and China was partly offset by lower income in Taiwan.

In Private Banking Clients, income was up 8 per cent as we continued to grow the customer base, with good growth in investment AUM.

In Corporate & Institutional Clients, income declined 7 per cent with Client income down 11 per cent. Income from Corporate clients was impacted by the market conditions with declines across most products, in particular Financial Markets, as well as conscious efforts to de-risk some of our commodities exposure. Income from Financial Institutions clients rose, mainly driven by volume growth in Cash

Management and Securities Services and by increased Client income from Financial Markets.

The Commercial Clients segment income decreased by 30 per cent. Trade Finance income was impacted by weak loan demand as a result of a slowdown in China and market competition. Financial Markets income was lower due to a reduction in derivatives sales income. The decline was primarily in FX as increased RMB volatility reduced client activity.

Operating expenses rose 1 per cent, with higher regulatory and compliance costs offset by business exits and efficiency initiatives.

Total impairment remained elevated at \$701 million. Continued progress was made to reduce portfolio concentrations in the commodities sector and the tightening of credit underwriting criteria amidst a slower economic growth environment.

In Hong Kong, a Private Banking impairment taken in 2015 and increased portfolio impairment provisions were partially offset by the non-recurring fraud-related losses incurred in 2014.

Underlying operating profit for Greater China declined 27 per cent to \$1,528 million.

Balance sheet

Customer loans and advances fell by 13 per cent as a result of lower loan demand in a slowing economy, as well as further de-risking. Customer deposits also reduced by 13 per cent due to balance sheet optimisation.

North East Asia

The following table provides an analysis of performance in the North East Asia region:

	2015	2014	Increase / (decrease)
	\$million	\$million	%
Client income	1,114	1,323	(16)
Other income	116	153	(24)
Operating income¹	1,230	1,476	(17)
Operating expenses²	(1,043)	(1,186)	12
Loan impairment	(247)	(394)	37
Other impairment ³	(12)	(11)	(9)
Underlying loss^{1,2,3}	(72)	(115)	37
Net interest margin (%)	1.6	2.0	
Customer loans and advances ⁴	28,608	29,582	(3)
Customer deposits ⁴	31,400	32,616	(4)

1. Excludes \$3 million benefit relating to own credit adjustment, \$33 million (2014: \$14 million) net loss on businesses sold/held for sale, and \$58 million charge relating to a change in the methodology of estimating credit and funding valuation adjustments

2. Excludes \$445 million charge relating to restructuring actions

3. Excludes \$726 million charge relating to goodwill impairment in 2014

4. Based on the location of the clients rather than booking location

Income was down 17 per cent at \$1,230 million, and down 11 per cent on a constant currency basis. Korea represents almost 95 per cent of income within this region.

Client income fell 16 per cent, and is down 9 per cent on a constant currency basis, reflecting challenging trading conditions, the impact of de-risking and portfolio optimisation driving lower asset balances. Excluding the impact of the exit of the Consumer Finance business, Retail Clients income fell 6 per cent on a constant currency basis, primarily due to the de-risking of the personal loans portfolio. Corporate & Institutional Clients income fell 8 per cent with the impact of adverse currency translation offsetting higher Corporate Finance income.

Other income declined 24 per cent, impacted by lower Principal Finance income.

Expenses fell 12 per cent compared to 2014, reflecting continuing efficiency savings and branch network optimisation.

Loan impairment fell significantly with Retail Clients Loan impairment related to the Personal Debt Rehabilitation Scheme filings down 56 per cent in Korea. Underlying loss was \$72 million compared with \$115 million in 2014.

Balance sheet

Customer loans and advances fell 3 per cent due to continued de-risking action in unsecured lending coupled with the reduction of Trade and Lending assets as a result of RWA optimisation. Customer deposits fell 4 per cent.

Standard Chartered Bank

Financial Review continued

South Asia

The following table provides an analysis of performance in the South Asia region:

	2015	2014	Increase / (decrease)
	\$million	\$million	%
Client income	1,527	1,725	(11)
Other income	(81)	138	(159)
Operating income¹	1,446	1,863	(22)
Operating expenses²	(831)	(797)	(4)
Loan impairment ³	(961)	(183)	nm ⁴
Other impairment ⁵	(31)	(73)	58
Underlying (loss)/profit^{1,2,3,5}	(377)	810	(147)
Net interest margin (%)	4.0	3.9	
Customer loans and advances ⁶	19,287	22,859	(16)
Customer deposits ⁵	15,036	15,533	(3)

1. Excludes \$24 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments

2. Excludes \$15 million charge relating to restructuring actions

3. Excludes \$386 million charge relating to restructuring actions

4. Not meaningful

5. Excludes \$3 million charge relating to restructuring actions

6. Based on the location of the clients rather than booking location

Income fell \$417 million, or 22 per cent, to \$1,446 million, with Client income down 11 per cent due to the challenging business environment and management actions, which included return optimisation initiatives and portfolio de-risking. Other income declined to a loss of \$81 million due to mark-to-market valuations on a small number of loan positions.

The decline in client income was driven by Corporate & Institutional Clients and Commercial Clients, with income down across most products. Lending and Corporate Finance income fell due to lower deal origination as corporate activity and credit growth remained muted, coupled with conscious actions to address low-returning RWAs. Financial Markets income was impacted by reduced hedging opportunities in Rates due to lower corporate finance deal flow. Transaction Banking income fell marginally due to a decline in Trade Finance income, which was impacted by lower commodity prices and reduced margins on account of higher competition due to excess liquidity.

Income from Retail Clients declined 3 per cent as we de-risked the unsecured portfolio and also due to lower deposit income in India as a result of Reserve Bank of India lowering

interest rates during the year. This was partially offset by higher Wealth Management income, which benefitted from higher bancassurance income.

Operating expenses increased 4 per cent to \$831 million, mainly due to regulatory changes which offset rationalisation of headcount and premises.

Loan impairment increased by \$778 million to \$961 million, impacted by continued stress on corporate balance sheets coupled with a more challenging refinancing environment.

Underlying operating profit fell \$1,187 million to a loss of \$377 million.

Balance sheet

Customer lending fell 16 per cent, mainly due to return optimisation initiatives, portfolio de-risking and lower deal origination which was impacted by muted corporate activity in India.

Customer deposits fell by 3 per cent due to lower funding requirements on account of a reduction in customer lending.

ASEAN

The following table provides an analysis of performance in the ASEAN region:

	2015	2014	Increase / (decrease)
	\$million	\$million	%
Client income	2,897	3,482	(17)
Other income	93	231	(60)
Operating income¹	2,990	3,713	(19)
Operating expenses²	(1,886)	(2,090)	10
Loan impairment ³	(967)	(698)	(39)
Other impairment ³	(20)	(86)	77
Profit from associates and joint ventures	16	62	(74)
Underlying profit^{1,2,3,4,5}	133	901	(85)
Net interest margin (%)	1.7	1.8	
Customer loans and advances ⁶	66,942	78,541	(15)
Customer deposits ⁶	75,788	94,208	(20)

1. Excludes \$269 million benefit (2014: \$3 million loss) relating to own credit adjustment and \$121 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments

2. Excludes \$55 million charge relating to restructuring actions

3. Excludes \$49 million charge relating to restructuring actions

4. Excludes \$126 million charge relating to restructuring actions impacting goodwill impairment

5. Based on the location of the clients rather than booking location

Operating income was down \$723 million, or 19 per cent, to \$2,990 million, driven by a 17 per cent decline in Client income and the impact of mark-to-market valuations on loan positions.

Client income was impacted by continued difficult market conditions with historically low prices in oil and other commodities. Income was also impacted by currency depreciation, regulatory headwinds and deliberate management actions to reduce risk exposures.

Client income from Corporate & Institutional Clients declined 23 per cent, impacted by subdued corporate activity in the region, the sustained low interest rate environment and the slowdown in China's growth momentum. Transaction Banking income fell, primarily due to weaker market sentiment and de-risking. Financial Markets income was also down due to continued margin compression and lower commodities prices, which more than offset higher volumes. Corporate Finance income fell, reflecting the challenging market environment, higher competition due to excess liquidity and a focus on selective asset origination.

Retail Clients income was impacted by de-risking in unsecured lending, the exit of non-strategic sales models and regulatory changes, which impacted key markets such as Singapore. Wealth Management income was down, impacted by foreign exchange translation, which offset growth in bancassurance income driven by our partnership with Prudential and from increased product penetration.

Private Banking Clients income was impacted by risk remediation, leading to loss of revenues particularly in the second half of 2015.

Commercial Clients income was down, impacted by macro conditions and management actions on risk and RWA optimisation.

Operating expenses were \$204 million lower, or 10 per cent, at \$1,886 million, as a result of cost reduction actions, including headcount rationalisation and property optimisation.

Loan impairment rose \$269 million, or 39 per cent, to \$967 million, driven by continued economic slowdown and sustained low commodity prices resulting in provisions being taken on a small number of Corporate clients. Retail provisions decreased reflecting the risk management actions on unsecured lending.

Profit from associates and joint ventures decreased 74 per cent to \$16 million, mainly due to Permata.

As a result, ASEAN underlying operating profit was \$133 million, down 85 per cent.

Balance sheet

Customer loans and advances fell 15 per cent, reflecting slower business activity and return optimisation initiatives.

Customer deposits fell 20 per cent, with the proportion of CASA balances increasing as more expensive Time Deposits matured.

Middle East, North Africa and Pakistan (MENAP)

The following table provides an analysis of performance in the MENAP region:

	2015	2014	Increase / (decrease)
	\$million	\$million	%
Client income	1,340	1,621	(17)
Other income	171	226	(24)
Operating income¹	1,511	1,846	(18)
Operating expenses²	(951)	(986)	4
Loan impairment ³	(436)	(89)	(390)
Other impairment	(3)	(1)	(200)
Underlying profit^{1,2,3}	121	771	(84)
Net interest margin (%)	2.7	2.8	
Customer loans and advances ⁴	19,485	22,775	(14)
Customer deposits ⁴	22,019	22,447	(2)

1. Excludes \$1 million benefit relating to own credit adjustment, \$1 million net gain (2014: \$1 million net loss) on businesses sold/held for sale, and \$92 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments

2. Excludes \$28 million charge relating to restructuring actions

3. Excludes \$5 million charge relating to restructuring actions

4. Based on the location of the clients rather than booking location

Operating income fell by \$335 million, or 18 per cent, to \$1,511 million. Client income declined 17 per cent due to management actions, which included de-risking and return optimisation, coupled with subdued corporate activity. Management actions included the exit of our SME business in the UAE.

Client income in Corporate & Institutional Clients and Commercial Clients fell 19 and 40 per cent respectively, impacted by management actions and by margin compression in Transaction Banking and Lending. FX volumes increased, particularly in Financial Institutions but this was offset by spread compression.

Income from CCPL, Wealth Management and Deposits declined mainly due to de-risking and margin compression, impacting Client income from Retail Clients.

Operating expenses were lower as a result of actions to reduce headcount and drive organisational efficiency.

Loan impairment increased by \$347 million to \$436 million due to increased specific provisions on a small number of Corporate clients.

Underlying operating profit was down \$650 million, or 84 per cent, to \$121 million.

Balance sheet

Customer loans and advances were down 14 per cent due to de-risking and the exit of the SME business in the UAE. Customer deposits fell by 2 per cent with outflows driven by de-risking.

Financial Review continued

Africa

The following table provides an analysis of performance in the Africa region:

	2015	2014	Increase/ (decrease)
	\$million	\$million	%
Client income	1,409	1,539	(8)
Other income	30	295	(90)
Operating income¹	1,439	1,834	(22)
Operating expenses²	(923)	(995)	7
Loan impairment ³	(502)	(175)	(187)
Other impairment	(48)	(1)	nm ⁴
Profit from associates and joint ventures	4	10	(60)
Underlying (loss)/profit^{1,2,3}	(30)	673	(104)
Net interest margin (%)	4.6	4.8	
Customer loans and advances ⁵	11,562	13,103	(12)
Customer deposits ⁵	10,983	11,224	(2)

1. Excludes \$4 million gain relating to a change in the methodology for estimating credit and funding valuation adjustments

2. Excludes \$33 million charge relating to restructuring actions

3. Excludes \$48 million charge relating to restructuring actions

4. Not meaningful

5. Based on the location of the clients rather than booking location

Operating income in Africa fell 22 per cent to \$1,439 million with Client income down 8 per cent and Other income down 90 per cent due to Principal Finance valuation losses.

The decline in Client income was driven by Corporate & Institutional Clients and Commercial Clients segments which were impacted by foreign currency translation and weakness in commodity markets. Transaction Banking and Lending income declined 10 per cent and 26 per cent respectively. Financial Markets income rose with higher Rates income partly offset by spread compression in FX. Corporate Finance income declined due to lower fee income.

Client income from Retail Clients declined 14 per cent, impacted by foreign currency translation which offset growth in Wealth Management.

Operating expenses declined as currency translation effects and efficiency savings offset inflationary pressures.

Loan impairment increased by \$327 million due to increased specific provisions in both Corporate & Institutional Clients and Commercial Clients segments.

Underlying operating profit fell from \$673 million to a loss of \$30 million.

Balance sheet

Customer loans declined 12 per cent driven by actions to optimise RWA utilisation mainly in Corporate & Institutional Clients. Customer deposits fell 2 per cent due to a reduction in higher cost Time Deposits.

Americas

The following table provides an analysis of performance in the Americas region:

	2015	2014	Increase / (decrease)
	\$million	\$million	%
Client income	789	802	(2)
Other income	78	61	28
Operating income¹	867	863	-
Operating expenses²	(803)	(672)	(19)
Loan impairment	(62)	(21)	(195)
Other impairment ³	(7)	(1)	nm ⁴
Underlying (loss)/profit^{1,2,3}	(5)	169	(103)
Net interest margin (%)	0.5	0.6	
Customer loans and advances ⁵	11,498	10,952	5
Customer deposits ⁵	18,315	34,019	(46)

1. Excludes \$24 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments

2. Excludes \$13 million charge relating to restructuring actions in 2015 and \$300 million charge relating to the civil monetary penalty in 2014

3. Excludes \$2 million charge relating to restructuring actions

4. Not meaningful

5. Based on the location of the clients rather than booking location

Operating income of \$867 million was flat, with a 2 per cent decrease in Client income offset by higher Other income from Financial Markets.

Client income was impacted by RWA optimisation and derisking initiatives and by weaker activity levels in Trade Finance and Corporate Finance. This was offset by increased Financial Markets income from FX and Rates, as volumes grew strongly in spite of increased market volatility. Capital Markets also improved, up 14 per cent, mainly as companies issued more new debt for mergers and acquisition financing.

Operating expenses were \$131 million, or 19 per cent higher at \$803 million, largely due to increased regulatory compliance costs and financial crime compliance costs.

Loan impairment increased to \$62 million due to provisions against a small number of clients.

Underlying operating profit fell from \$169 million to a loss of \$5 million, mainly due to higher costs and Loan impairment.

Balance sheet

Customer loans and advances increased by 5 per cent due to higher reverse repo balances. Customer deposits fell to \$18 billion due to balance sheet optimisation.

Financial Review continued

Europe

The following table provides an analysis of performance in the Europe region:

	2015	2014	Increase / (decrease)
	\$million	\$million	%
Client income	850	927	(8)
Other Income	(12)	137	(109)
Operating income¹	838	1,064	(21)
Operating expenses²	(1,032)	(1,055)	2
Loan impairment ³	(132)	(112)	(18)
Other impairment	(21)	(88)	76
Profit from associates and joint ventures	(1)	-	nm ⁴
Underlying loss^{1,2,3}	(348)	(191)	(82)
Net interest margin (%)	0.6	0.8	
Customer loans and advances ⁵	26,218	20,994	25
Customer deposits ⁵	53,524	52,498	2

1. Excludes \$173 million (2014: \$9 million) benefit relating to own credit adjustment, \$10 million relating to net gains on businesses sold/held for sale in 2014 and \$534 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments

2. Excludes \$26 million charge relating to restructuring actions

3. Excludes \$480 million charge relating to restructuring actions

4. Not meaningful

5. Based on the location of the clients rather than booking location

Income was down \$226 million, or 21 per cent to \$838 million. Client income declined 8 per cent as a result of actions taken by management to reshape the business, de-risking actions and from lower client activity levels which particularly impacted Trade Finance. Actions to reshape the business included the closure of the Retail business in Germany, the Private Banking business in Geneva and the Institutional Cash Equities business. Other income declined \$149 million to a loss of \$12 million impacted by lower Asset and Liability Management income due to increased liquid asset holdings for regulatory purposes.

Trade Finance income declined, impacted by management actions which included de-risking, and as a result of subdued global trade finance demand. Financial Markets income declined as higher FX income was more than offset by lower income from Capital Markets and Commodities.

Corporate Finance income declined due to lower Structured Finance income following aircraft sales.

Operating expenses declined 2 per cent, with a 20 per cent increase in the UK bank levy to \$440 million offset by lower expenses from business re-shaping actions and favourable foreign currency translation.

Loan impairment increased by \$20 million to \$132 million, with higher provisions primarily against a small number of commodity clients. Other impairment decreased by \$67 million to \$21 million.

Underlying operating loss for the year was \$348 million compared with a loss of \$191 million in 2014.

Balance sheet

Customer loans and advances increased 25 per cent due to increased reverse repo balances. This more than offset a fall in Trade Finance balances which, together with management actions, reduced RWAs. Customer deposits increased 2 per cent driven by higher Financial Market liabilities.

Standard Chartered Bank

Financial Review continued

Group summary consolidated balance sheet

	2015 \$million	2014 \$million	Increase / (Decrease) \$million	Increase / (Decrease) %
Assets				
Cash and balances at central banks	65,312	97,282	(31,970)	(33)
Loans and advances to banks ¹	66,767	87,495	(20,728)	(24)
Loans and advances to customers ¹	261,275	288,452	(27,177)	(9)
Investment securities ¹	131,468	128,814	2,654	2
Derivative financial instruments	64,587	66,317	(1,730)	(3)
Other assets	50,383	55,403	(5,020)	(9)
Total assets	639,792	723,763	(83,971)	(12)
Liabilities				
Deposits by banks ¹	38,163	55,233	(17,070)	(31)
Customer accounts ¹	359,127	414,189	(55,062)	(13)
Debt securities in issue ¹	51,504	62,150	(10,646)	(17)
Derivative financial instruments	62,586	64,184	(1,598)	(2)
Subordinated liabilities and other borrowed funds	20,716	21,362	(646)	(3)
Other liabilities ¹	60,423	57,826	2,597	4
Total liabilities	592,519	674,944	(82,425)	(12)
Equity	47,273	48,819	(1,546)	(3)
Total liabilities and shareholders' funds	639,792	723,763	(83,971)	(12)

¹ Includes balances held at fair value through profit or loss

Balance sheet

The Group's balance sheet is increasingly well diversified and following management actions, provides a stronger platform to support the execution of the strategy. We continue to be highly liquid and primarily deposit funded, with an advances to deposits ratio of 72.8 per cent, up from 69.6 per cent at the end of 2014. The Group continues to be a net lender into the interbank market, particularly in the Greater China, ASEAN and Europe regions. The Group's funding structure remains conservative, with limited levels of refinancing over the next few years.

The Group's Common Equity Tier 1 ratio increased to 11.7 per cent from 10.5 per cent at the end of 2014. Management actions, including those undertaken as part of the Strategic Review, contributed to a 12 per cent reduction in RWAs and a 12 per cent fall in total assets.

The profile of the Group's balance sheet, however remains stable, with around 66 per cent of our financial assets held at amortised cost, and 57 per cent of total assets have a residual maturity of less than one year.

Cash and balances at central banks

Cash balances fell \$32 billion as we exited bank and customer deposits and reduced surplus liquidity balances.

Loans and advances to banks and customers

Loans to banks and customers fell by \$47.9 billion as we focused on disciplined balance sheet management and more selective asset origination. Consistent with our commitment to promote social and economic development across our markets, we continue to extend access to financial services and support lending to the clean technology sector.

Loans to Corporate & Institutional Clients and Commercial Clients are increasingly well diversified by geography and client segment. During 2015, we continued to reshape the

portfolio, exiting low returning clients and increasing loan loss provisions, all of which contributed to the reduction in loan balances compared to 2014. Lending fell \$21.2 billion, primarily concentrated in Greater China (down \$12 billion) across Energy, Manufacturing, Mining and Quarrying and Consumer Durables sectors and ASEAN, principally in the Energy sector.

Retail and Private Banking Clients lending fell \$6 billion with unsecured lending falling \$3 billion as we reduced our exposure to unsecured lending products across a number of our major markets. There is another \$1 billion decrease in Secured Wealth Products across the ASEAN region. Mortgages were largely flat with growth in Greater China and NEA offset by lower balances in ASEAN.

Loans to banks fell by 24 per cent, or \$20.7 billion, with lower balances in Europe as we placed surplus liquidity across our footprint markets.

Investment securities

Investment securities rose by \$2.7 billion as we re-positioned liquid assets, increasing holdings of Treasury Bills and highly rated corporate debt securities. The maturity profile of these assets is largely consistent with prior years, with over 40 per cent of the book having a residual maturity of less than 12 months.

Derivatives

Notional values decreased compared to 2014 as client demand for interest rate hedging declined. As a result, the unrealised positive mark-to-market positions were \$1.7 billion lower at \$65 billion. The mark-to-market was also impacted by an increased charge in respect of credit and funding valuation adjustments as we adapted our approach to reflect changing market practices. The Group's risk positions continue to be largely balanced, resulting in a corresponding increase in negative mark-to-market

Financial Review continued

positions. Of the \$65 billion mark-to-market positions, \$39 billion was available for offset due to master netting agreements.

Deposits

Customer accounts fell \$55 billion, or 13 per cent, and deposits by banks fell \$17 billion, reflecting lower liquidity requirements as we reduced assets and exited higher cost Time Deposits across a number of markets. CASA continues to be core of the customer deposit base, constituting 54 per cent of customer deposits.

Debt securities in issue, subordinated liabilities and other borrowed funds

Debt securities in issue and subordinated debt fell \$11 billion compared to December 2014, largely due to lower levels of short-dated securities reflecting the reduced funding requirements. Subordinated liabilities reduced \$1 billion largely due to exchange rate fluctuations.

Equity

Total shareholders' equity fell by \$1.5 billion to \$47.3 billion, reflecting the issuance of \$2 billion of Additional Tier 1 instruments and additional \$1.9 billion of ordinary shares during the year, offset by the loss for the year of \$2.1 billion, dividend payment of \$0.7 billion, distribution of \$0.5 billion to non controlling interests and the negative impact of foreign currency translation of \$1.8 billion.

Standard Chartered Bank

Risk and Capital review

The following parts of the Risk and Capital review form part of the financial statements and are audited:

- From the start of Risk profile on page 50 to the end of the 'Strategic risk' section on page 131, excluding:
 - a. Asset backed securities, page 99
 - b. Country cross border risk, page 105
 - c. Market risk – Risk not in value at risk, page 110
 - d. Market risk – backtesting, page 110
 - e. Mapping of market risk items to the balance sheet, page 111
 - f. Liquidity coverage ratio, page 114
 - g. Encumbered assets, page 117
 - h. Readily available for encumbrance, page 119
 - i. Operational risk, page 129
 - j. Other risks, page 131
- 'Regulatory compliance, review, requests for information and investigations', page 134
- From the start of Risk management approach on page 136 to the end of 'Liquidity risk – stress testing' on page 146, excluding Country cross-border risk on page 142 and where indicated on page 146

The Risk and capital review is divided into the following five sections:

- **Risk overview** is an update on the key risk themes of the Group
- **Risk profile** provides an analysis of our risk exposures across all major risk types
- **Principal uncertainties** sets out the key external factors that could impact the Group in the coming year
- **Risk management approach** details how we control and govern risk
- **Capital** provides an analysis of the Group's capital ratios and movements in capital requirements

Risk overview

The Group is exposed to a range of risks such as credit, country cross-border, market, capital, liquidity, operational, pension, reputational and other risks that are inherent to our strategy, product range and geographic coverage. We manage risk on an enterprise-wide basis, through our Risk Management Framework with the objective of maximising risk-adjusted returns while remaining within the Group's risk tolerance. We maintain a structured and proactive approach to portfolio analysis and stress testing to ensure that on an ongoing basis, we are taking a view of likely economic downside risks which could manifest in the next 12 to 18 months. This enables us to take the necessary actions to ensure our exposure remains within our risk tolerance.

In light of the challenging environment, we have been taking risk-mitigating actions such as reducing exposures, increasing diversification, taking additional security and analysing our portfolios for vulnerable accounts. We announced our new strategic plan in November 2015 and at the same time we adjusted our risk tolerances. As a result we identified, for liquidation, a portfolio of around \$20 billion of risk-weighted assets (RWA) that is beyond our current risk tolerances ('liquidation portfolio'). These positions are being assertively managed out and this exercise will result in a portfolio ('ongoing business') that is more diverse and less concentrated, and should be less sensitive to adverse economic and credit cycles.

Loan impairment for 2015, increased to \$4,008 million (2014: \$2,141 million) reflecting ongoing pressure in commodities and in India. In addition, there was a charge of \$968 million taken in the fourth quarter, as a consequence of our decision to manage out exposures in the liquidation portfolio.

Other impairment, including restructuring charge of \$56 million, decreased by \$159 million to \$244 million (2014: \$403 million) and was related to impairments against strategic investments.

The Group's total impairment (excluding impairment of goodwill) increased to \$5,220 million (2014: \$2,544 million).

We have performed an in-depth review of the Corporate & Institutional Clients and Commercial Clients portfolio especially on our non-performing loans (NPLs), on accounts flagged for early alert and on other vulnerable portfolios such as commodities and India. While these reviews did not uncover any specific material adverse findings, we identified a small number of accounts that needed to be separately managed by our specialist recovery unit, Group Special Asset Management (GSAM).

The gross NPLs for the ongoing business of Corporate & Institutional Clients and Commercial Clients segments have increased by 36 per cent to \$4,477 million from \$3,304 million in 2014 albeit net NPLs have remained broadly flat.

Overall gross NPLs have increased to \$12,759 million in 2015 (2014: \$7,492 million), primarily driven by the migration of an interconnected group of exposures in the liquidation portfolio financially booked in Europe from credit grade 12, which has reduced by similar amount. The increase also reflects ongoing pressure in commodities, and in India.

Corporate & Institutional Clients NPL inflows in the ongoing business slowed in the fourth quarter when compared with the previous two quarters with the vast majority of new NPL inflows coming from accounts that have been on early alert for more than 12 months.

The cover ratio excluding collateral for the ongoing business for Corporate & Institutional Clients and Commercial Clients segments has increased to 59 per cent which when considered together with the historically-observed, weighted recovery rate of 50 per

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Risk and Capital review continued

cent exceeds the uncovered portion of our portfolio. The cover ratio including collateral is 70 per cent.

Portfolio indicators are broadly stable although some indicators such as the proportion of investment grade exposures and collateral levels for non-investment grade exposures have improved.

The liquidity position of the Group remained strong in 2015 and while Group level VaR for market risk increased year-on-year, the underlying positions remained broadly stable. Total operational losses in 2015 were immaterial.

One of the main risks to the Group arises from extending credit to customers through our lending and trading operations. In the following sections we discuss in further detail how we have managed enterprise-wide risk, our loan impairments for 2015 and provide an overview of our overall credit exposures by client segment and key risk themes.

Enterprise-wide risk management

We announced a new strategy in November 2015 and at the same time reviewed our risk tolerances. We added more tolerances which now provide the Board with increased granular oversight of our risk exposures.

For Corporate & Institutional Clients, Commercial Clients and Private Banking Clients, the updated tolerances are designed to reduce concentration for single names in aggregate, by industry sector, by credit grade and as a percentage of Tier 1 capital. For Retail, the updated tolerance reduces concentration to total and higher-risk unsecured lending at a country level and at a group level. In aggregate these changes are expected to reduce the volatility of loan impairment. Changes to the operational risk tolerance aim to control the Group's operational risks to ensure that operational losses do not cause material damage to the Group's franchise.

In line with these changes, the Group has also identified a number of exposures for liquidation that would currently exceed the adjusted tolerance levels. These exposures are being managed by our specialist recovery unit, GSAM, for liquidation.

Further information on the Group's risk tolerances is discussed on pages 138.

Loan impairment

At the Group level, total loan impairment was \$4,976 million. As disclosed on page 21, the loan impairment charge excluding impairment taken against the liquidation portfolio, increased to \$2,381 million representing 87 basis points (bps) of average customer loans and advances.

Looking by segment, Retail Client loan impairment has continued to improve and fell 28 per cent to \$677 million representing 70 bps of loss, as a result of deliberate risk mitigating actions taken, notably in Korea, Thailand and Malaysia, and the disposal of our Consumer Finance businesses.

Corporate & Institutional Clients and Commercial Clients loan impairment, for the ongoing business increased significantly to \$1,703 million (2014: \$698 million). We have taken risk-mitigating actions, have reviewed the portfolio extensively throughout 2015, and have increased provisioning, largely to reflect continued stress in our commodity markets as well as further deterioration in India.

The fourth quarter charge for the ongoing business increased over the third quarter reflecting

- An increase in provisioning in the Corporate & Institutional Clients portfolio resulting in an improvement in cover ratio
- An increase in loan impairment in the Commercial Clients portfolio as a result of a small number of losses associated with derivatives transactions in Greater China and an increase in loan impairment in Africa

Looking by sector, of the loan impairment of \$1,703 million mentioned above, the impairment for the ongoing business related to the commodities sector remained at elevated levels in 2015 at \$572 million due to further softening in the prices of certain commodities notably coal, iron ore and oil. Although the persistent low prices of commodities has not highlighted any additional material vulnerability over and above what was identified in 2013 and 2014, the stress intensified on our existing NPLs and accounts that were on our watch list.

In India, loan impairment for the ongoing business for Corporate & Institutional Clients and Commercial Clients increased to \$439 million (2014: \$134 million) due to continued credit deterioration. Corporate earnings continue to be low, interest cover ratio is at five-year lows and the value of stalled projects increased sharply in 2015.

In terms of assets identified for liquidation, the Group incurred loan impairment of \$1,627 million for the full year in addition to a restructuring charge of \$968 million which was a consequence of the decision to liquidate the exposures in this portfolio.

The following table provides more details of the impairment charge for the year.

	Six months to 30.06.2015 \$million	Six months to 31.12.2015 \$million	12 months to 31.12.2015 \$million
Loan impairment			
Ongoing business			
Corporate & Institutional and Private Banking Clients	344	761	1,105
Commercial Clients	154	445	599
Retail Clients	364	313	677
Liquidation portfolio			
Corporate & Institutional and Private Banking Clients	790	837	1,627
Corporate & Institutional Clients – Restructuring	-	968	968
Total loan impairment	1,652	3,324	4,976

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Risk and Capital review continued

Corporate & Institutional Clients and Commercial Clients ¹

The Corporate & Institutional Clients and Commercial Clients segments have been a key area of focus for the Group in 2015. Despite loan impairment remaining high at a Group level, a number of conscious actions have been taken, which included stress testing, portfolio reviews, exposure reduction and implementing adjusted risk tolerances.

As at 31 December 2015, the net exposure for Corporate & Institutional Clients and Commercial Clients segments fell to \$507 billion (2014: \$572 billion) principally due to a \$32 billion reduction in central bank balances, and a \$41 billion reduction in loans and advances driven in part by the risk-mitigating actions that we have taken.

Portfolio indicators

The risk profile of the Corporate & Institutional Clients and Commercial Clients portfolio improved in terms of diversification, collateralisation and tenor profile. The Group's 20 largest exposures to corporate client groups have reduced by 8 per cent or \$2 billion compared to the first half of 2015 and reduced by 20 per cent or \$6 billion compared to December 2014. The exposures total 61 per cent of Tier 1 capital (2014: 83 per cent).

The proportion of Corporate & Institutional Clients and Commercial Clients loans and advances to customers which are short-term remained stable at 67 per cent (2014: 65 per cent).

The collateralisation level for corporate clients and non-bank financial institutions increased by 2 per cent to 42 per cent, and the collateralisation for long-term (greater than one year) sub-investment grade exposures increased by 4 per cent to 59 per cent.

Exposures on early alert have increased due to the transfer of a small number of accounts that need closer management. The majority of the increase relates to either investment grade clients or clients that are just below investment grade with low risk of transfer to GSAM.

The year-on-year increase in gross and net NPL balances was primarily in the liquidation portfolio and mainly driven by the migration of a small number of interconnected exposures from credit grade 12. Although the gross NPLs for the ongoing business have increased reflecting weakness in India and in Commodities, the net NPLs have remained stable. The cover ratio for the ongoing business of Corporate & Institutional Clients and Commercial Clients segments

increased to 59 per cent excluding collateral (2014: 49 per cent) and 70 per cent with collateral.

Corporate & Institutional and Commercial Clients portfolio	31.12.15 \$billion	30.06.15 \$billion	31.12.14 \$billion	30.06.14 \$billion
Percentage of net exposure to customers that is Investment grade	46%	43%	42%	40%
Percentage of loans and advances to investment grade clients	43%	39%	38%	38%
Early alert (net exposure)	12.3	10.0	9.2	9.0
Credit grade 12 (excluding past dues)	0.9	4.4	4.7	5.3
Past due but not impaired	2.6	2.8	2.3	3.4
Performing other renegotiated / forbore loans	1.1	4.6	4.9	5.6
Gross NPLs	11.7	7.7	6.6	6.2
Gross NPLs (ongoing business)	4.5	3.6	3.3	3.7
Net NPLs	5.5	3.7	3.5	3.2
Net NPLs (ongoing business)	1.8	1.8	1.7	1.9

In the fourth quarter of 2015, there was a reduction in inflows into NPL in the Corporate & Institutional Clients ongoing business as compared with previous quarters, with the vast majority of NPLs coming from accounts that have been on early alert for more than 12 months.

Sector

Commodities

The Group continues to mitigate the risk in the portfolio, reducing the net exposure to the sector by \$15.4 billion (28 per cent) to \$39.6 billion (2014: \$54.9 billion) over the past 12 months, both in commodity producers (\$5.1 billion) and commodity traders (\$10.3 billion) portfolio. The commodities portfolio represented 8 per cent of the total Corporate & Institutional Clients and Commercial Clients net exposure (2014: 10 per cent).

Commodities credit exposure arises from the pursuit of the Group's strategy in its core markets, where commodities form a very significant proportion of the trade flows within and into the Group's footprint countries. Commodities will continue to be a key component of the Group's strategy and the portfolio. The Group is risk-mitigating parts of the portfolio to reduce targeted exposures, increase diversification and reduce volatility of loan impairment. The cover ratio has increased to 61 per cent without collateral from 38 per cent in 2014.

The tenor profile of the portfolio remains short, with 68 per cent (2014: 74 per cent) having a residual maturity of less than one year. The majority of the decrease was in short-dated exposure for non-investment grade clients who are non-state owned enterprises (SOE) or are non-global major clients. The collateral for long-term (greater than one year) sub-investment grade and non-large SOEs has remained stable at 41 per cent.

Derivative trades in commodities are undertaken in support of client hedging, and commodities-related market risk continues to be very low.

¹ Exposures to the Corporate & Institutional Clients and Commercial Clients segments are presented in this section on a net exposure basis (unless stated otherwise), which comprises loans and advances to banks and customers, investment securities, derivative exposures after master netting agreements, cash and balances at central banks, other assets, contingent liabilities and documentary credits

The geographic analysis presented in this section is based on country of credit responsibility. This differs from the financial booking location, which is used in the geographic analysis in the Risk Profile section on page 50, in that all global exposures to a client group are reported in the primary country of the parent entity. This is aligned to the Group's credit risk management approach

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Risk and Capital review continued

The commodities book consists of two types of business activities, producers and traders, each of which is exposed to different risks.

Producers are more directly exposed to price changes and make up 49 per cent of the commodities portfolio. Producers primarily consist of energy exposure of \$10.9 billion and metals and mining exposure of \$7 billion. Of the energy exposure of \$10.9 billion, oil & gas was \$9.6 billion and this is discussed in more detail under oil and gas producers section below. The majority of metals and mining exposure is related to short-dated trade facilities. The exposure to metals that have seen significant price falls is very small – copper producers make up 0.2 per cent, and iron ore 0.1 per cent respectively of Corporate & Institutional Clients and Commercial Clients net exposure.

The key risk for traders, which are less directly affected by price changes, is lack of liquidity and their risk management practices. The traders portfolio makes up 51 per cent of the commodities portfolio.

Oil & gas and related exposures

As at 31 December 2015, the Group's net exposure to oil & gas and related sectors was \$24 billion (2014: \$28.6 billion) and has been consciously reduced year-on-year. This comprises oil & gas producers (\$9.6 billion, 40 per cent), refineries (\$5.9 billion, 25 per cent), supporting activities (\$7.0 billion, 29 per cent) and other corporate clients with oil & gas related hedges (\$1.5 billion, 6 per cent). Of these exposures, only oil and gas producers are included as part of the commodities portfolio.

Oil & gas producers: the exposure to oil & gas producers was \$9.6 billion (2014: \$12.9 billion). 88 per cent \$8.1 billion of this was to clients who can sustain an oil price of \$30 per barrel for 12 months or to global majors or large SOEs. The breakeven prices have been calculated on a debt service coverage ratio of one. Debt service coverage ratio has been computed based on the amount of cash flow available to meet the annual interest and principal payments on debt, if oil prices remain at the breakeven level for a period of up to 12 months. This analysis is conservative as it does not take into consideration refinancing options available to clients, or their ability to defer capital expenditure to conserve cash.

Petroleum refineries: the net exposure to petroleum refineries was \$5.9 billion (2014: \$6.4 billion). The profitability of refiners is driven by gross refining margins and the margins held broadly steady despite the fall in crude oil prices.

Support activities: the support activities portfolio consisted of \$3.4 billion (2014: \$4.2 billion) in shipping finance (including operating leases) and \$3.6 billion (2014: \$3.7 billion) related to oilfield equipment manufacturers and other service providers. The net exposures to these sub-sectors are either to investment grade clients or backed by strong balance sheets or high levels of collateralisation in the form of new or young vessels.

Corporate clients with oil-related hedges: all clients have continued to meet their trade settlement and collateral obligations as per the Credit Support Annex (CSAs) to the International Swaps and Derivatives Association (ISDA).

Geographies

India

The Group has been actively managing the India Corporate & Institutional Clients and Commercial Clients portfolio in 2015 by reducing exposures to vulnerable accounts while limiting any increase in exposure to select client groups with credit grades stronger than the portfolio average. The net exposures have reduced from \$42 billion in 2012 to \$30 billion in December 2015 (\$35 billion in 2014). This \$30 billion includes the interconnected group of exposures in the liquidation portfolio from a country of credit responsibility perspective. These exposures are, however, booked in Europe with associated NPLs also being reflected in Europe.

The macroeconomic environment has remained challenging in the face of slow economic growth, slow progress in reforms, high indebtedness in some sectors and lower than expected refinancing appetite from local banks.

India exposures attributable to investment grade clients have remained stable at 33 per cent of the India exposures (2014: 34 per cent). A further 39 per cent of the exposure is short-term in nature. The sector mix has remained similar with energy, infrastructure and telecom constituting 29 per cent of the total exposure (2014: 28 per cent).

The loan impairment has increased significantly for the ongoing business to \$439 million from \$134 million in 2014.

China

In 2015, the Group's total net exposure to China has been further reduced to \$50 billion (2014: \$71 billion), of which \$17 billion (2014: \$24 billion) is financially booked in China and \$33 billion (2014: \$47 billion) in other locations.

The Group's growth in China over the past five years has been focused on financial institutions as a result of the internationalisation of the renminbi (RMB). The RMB offshore deposits are invested in short-term inter-bank deposits and trade products. 100 per cent of the Bank exposure is to investment grade clients of which 84 per cent is to top five Chinese banks.

The overall China portfolio is short dated with 84 per cent having tenor of less than one year. 73 per cent of the corporate exposure is short dated with tenor less than one year.

The China commodity producers portfolio has been reduced by 58 per cent to \$1.7 billion (2014: \$4.1 billion) while commodity traders portfolio has been reduced by 52 per cent to \$2.5 billion (2014: \$5.3 billion).

The Group has negligible exposure to the Chinese stock market which has been volatile during 2015.

Market risk

The Group continues to have low levels of market risk with Group level VaR of \$36.1 million (2014: \$26.5 million; June 2014: \$37.8 million), which is used to support client activities with typical periods of high utilisation during periods of market volatility. The VaR levels increased during 2015, with the exception of Equities and listed Private Equity where positions were reduced. The increase was driven by heightened market volatility driven by uncertainty about the Chinese economy and the timing of anticipated US interest rate rises.

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Risk and Capital review continued

Retail Clients

The Retail Clients loans and advances portfolio remains well diversified in terms of geography with mortgages accounting for 67 per cent (2014: 64 per cent) of the total. The average loan-to-value (LTV) ratio on the Group's mortgage portfolio was stable at 49 per cent (2014: 49 per cent).

82 per cent (2014: 80 per cent) of Retail loans are fully secured and 66 per cent of the portfolio has tenor greater than five years (2014: 64 per cent) mainly due to mortgages. The emerging shape of the portfolio will be in line with the new strategy announced in November 2015 which emphasises secured lending and wealth management, targets priority, high value customers and employee banking segments, and customers with low indebtedness for unsecured products.

Retail Clients loan impairment was lower at 70 bps of average loans and advances (2014: 94 bps). This continuing improvement was mainly due to lower losses in Korea, Thailand and Malaysia, and also to the disposal of the Group's Consumer Finance businesses (Korea, Hong Kong and China). Portfolio indicators, such as 30 days past due and 90 days past due amounts, have continued to improve since December 2014.

Mortgage portfolio and rising interest rates in key markets

The Retail Clients mortgage portfolio is well positioned in the event of a fall in house prices or an increase in interest rates. In assessing prospective borrowers' ability to service debts, the Group assumes stress interest rates well above prevailing rates. The average LTV ratio of the mortgage portfolio was 49 per cent with only 5 per cent (2014: 5 per cent) of the portfolio having an LTV of 80 per cent or greater. The majority of the residential mortgage portfolio is for owner occupation. The mortgage portfolio continues to show resilience to various stress tests conducted by the Group.

Unsecured portfolio

The overall portfolio reduced in 2015 as a result of risk-mitigating actions taken in many markets including Korea to reduce exposure to high-risk segments, partly offset by growth in select segments and geographies. The portfolio performance indicators are monitored on an ongoing basis with losses improving in 2015 at \$573 million (2014: \$737 million), mainly due to improvement in Korea, Malaysia, Thailand and Taiwan.

The unsecured strategy is underpinned by a new decision framework that supports the explicit shaping of the portfolio towards preferred segments such as priority and employee banking, and lower-risk customers.

Korea Personal Debt Rehabilitation Scheme

Korea has been the biggest source of the Group's elevated Retail Client impairment in the past two years. Although the level of Personal Debt Rehabilitation Scheme (PDRS) applications remains high in the market, the actions taken to tighten underwriting standards since the beginning of 2014 have resulted in considerably lower match rates of the portfolio with PDRS filings. During the past 18 months, after adjusting for seasonally expected reductions, there has been an improvement in the losses relating to impact of the government PDRS on the Group's unsecured portfolio in Korea. The portfolio indicators have shown considerable improvement.

Standard Chartered Bank

Risk and Capital review continued

Risk profile

The balance sheet and income statement information presented within this section is based on the financial booking location of the instrument and not the location of its customer. Accordingly, where income statement information is presented by geographic region, the accounts will differ from the Financial review on pages 19 to 44, which is based on customer location. The client segment by geographic region table on page 55 provides a split of loans and advances to customers and banks by both booking and customer location.

Credit risk

The following pages provide detail of credit exposure, split as follows:

- Overall exposure to credit risk, for on-balance sheet and off-balance sheet financial instruments, before and after taking into account credit risk mitigation (pages 51)
- Loan portfolio overview, which provides analysis of the loan portfolio by client segment, by geographic region, by industry and retail product, and by loan maturity (pages 53 to 65)
- Credit risk mitigation, which provides analysis of collateral held by client segment and collateral type, and details of loan-to-value (LTV) ratios and other forms of credit risk mitigation (pages 66 to 70)
- Credit quality, which provides an analysis of the loan portfolio by credit grade (CG) (pages pages 70 to 84)
- Problem credit management and provisioning, which provides an analysis of non-performing loans, impaired loans, renegotiated and forborne loans (pages pages 85 to 96)
- Selected portfolios, which provides further detail on debt securities and treasury bills, asset backed securities and selected European exposures (page pages 97 to 104)

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

A summary of our current policies and practices regarding credit risk management is provided in the Risk management approach on pages 136 to 149.

Our credit portfolio remains well diversified and predominantly short term, with high levels of collateralisation for longer-term and non-investment grade loans. We have consistently maintained our focus on chosen clients in our core markets and a disciplined approach to risk management.

Maximum exposure to credit risk

The table on page 51 presents the Group's maximum exposure to credit risk for its on-balance sheet and off-balance sheet financial instruments as at 31 December 2015, before and after taking into account any collateral held or other credit risk mitigation. For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

The Group's maximum exposure to credit risk is spread across its markets and is affected by the general economic conditions in the geographies in which it operates. The Group sets limits on the exposure to any counterparty, and credit risk is spread over a variety of different personal, commercial and institutional customers.

The Group's gross maximum exposure to credit risk has decreased by \$87 billion when compared to 2014, mainly due to a reduction in cash and balances held at central banks. Loans and advances to customers and banks have decreased by \$48 billion, reflecting the focus on optimising returns together with risk-mitigating actions to reduce exposures in some markets and sectors. Further details of the loan portfolio are set out on page 53. Off-balance sheet exposures, mainly arising from trade finance, decreased by \$8 billion, reflecting the slowdown in key markets in our footprint.

Investment securities increased by \$5.6 billion as the Group placed its excess liquidity in low risk investment assets. The Group's credit risk exposure before risk mitigation arising from derivatives decreased by \$1.7 billion.

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Risk and Capital review continued

Maximum exposure to credit risk continued

Group	2015				2014			
	Credit risk management			Net Exposure	Credit risk management			Net Exposure
	Maximum exposure	Collateral	Master netting agreements		Maximum exposure	Collateral	Master netting agreements	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
On balance sheet								
Cash and balances at central banks	65,312	-	-	65,312	97,282	-	-	97,282
Total Loans and advances to banks and customers ¹								
As per balance sheet	321,720	-	-	-	368,433	-	-	-
Included within fair value through profit and loss	6,322	-	-	-	7,514	-	-	-
	328,042	152,479	-	175,563	375,947	157,621	-	218,326
Investment securities ²								
As per balance sheet	114,549	-	-	114,549	103,923	-	-	103,923
Included within fair value through profit and loss	16,919	-	-	16,919	24,891	-	-	24,891
Less: Equity securities	(4,328)	-	-	(4,328)	(7,366)	-	-	(7,366)
	127,140	-	-	127,140	121,448	-	-	121,448
Derivative financial instruments ³	64,587	10,074	38,934	15,579	66,317	7,005	43,735	15,577
Assets Held for sale	340	-	-	340	3,112	-	-	3,112
Other assets	10,026	-	-	10,026	10,329	-	-	10,329
Total balance sheet	595,447	162,553	38,934	393,960	674,435	164,626	43,735	466,074
Off balance sheet								
Contingent liabilities	39,055	-	-	39,055	42,532	-	-	42,532
Undrawn irrevocable standby facilities, credit lines and other commitments to lend ⁴	59,431	-	-	59,431	60,870 ⁵	-	-	60,870
Documentary credits and short term trade-related transactions	4,852	-	-	4,852	7,911	-	-	7,911
Forward asset purchases and forward deposits	530	-	-	530	539 ⁵	-	-	539
Total off- balance sheet	103,868	-	-	103,868	111,852	-	-	111,852
Total	699,315	162,553	38,934	497,828	786,287	164,626	43,735	577,926

¹ An analysis of credit quality is set out on page 72. Further details of collateral held by client segment and held for past due and individually impaired loans are set out on page 67

² Equity shares are excluded as they are not subject to credit risk

³ The Group enters into master netting agreements, which in the event of default results in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions

⁴ Excludes unconditionally cancellable facilities

⁵ Balances have been restated

Standard Chartered Bank

Risk and Capital review continued

Maximum exposure to credit risk continued

Company	2015				2014			
	Credit risk management			Net Exposure	Credit risk management			Net Exposure
	Maximum exposure	Collateral	Master netting agreements		Maximum exposure	Collateral	Master netting agreements	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
On balance sheet								
Cash and balances at central banks	49,916	-	-	49,916	82,728	-	-	82,728
Total Loans and advances to banks and customers ¹								
As per balance sheet	158,852	-	-	-	175,331	-	-	-
Included within fair value through profit and loss	6,096	-	-	-	7,184	-	-	-
	164,948	59,200	-	105,748	182,515	50,210 ⁵	-	132,305
Investment securities ²								
As per balance sheet	61,396	-	-	61,396	48,993	-	-	48,993
Included within fair value through profit and loss	9,836	-	-	9,836	15,323	-	-	15,323
Less: Equity securities	(2,604)	-	-	(2,604)	(4,898)	-	-	(4,898)
	68,628	-	-	68,628	59,418	-	-	59,418
Derivative financial instruments ³	62,814	9,605	38,820	14,389	63,465	6,618	43,452	13,395
Other assets	6,831	-	-	6,831	6,927	-	-	6,927
Total balance sheet	353,137	68,805	38,820	245,512	395,053	56,828	43,452	294,773
Off balance sheet								
Contingent liabilities	29,624	-	-	29,624	31,034	-	-	31,034
Undrawn irrevocable standby facilities, credit lines and other commitments to lend ⁴	38,369	-	-	38,369	34,463 ⁵	-	-	34,463
Documentary credits and short term trade-related transactions	3,530	-	-	3,530	5,253	-	-	5,253
Forward asset purchases and forward deposits	9	-	-	9	1	-	-	1
Total off- balance sheet	71,532	-	-	71,532	70,751	-	-	70,751
Total	424,669	68,805	38,820	317,044	465,804	56,828	43,452	365,524

¹ An analysis of credit quality is set out on page 74. Further details of collateral held by client segment and held for past due and individually impaired loans are set out on page 67

² Equity shares are excluded as they are not subject to credit risk

³ The Group enters into master netting agreements, which in the event of default results in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions

⁴ Excludes unconditionally cancellable facilities

⁵ Balances have been restated

Standard Chartered Bank

Risk and Capital review continued

Loan portfolio

This section provides qualitative and quantitative information on the Group's exposure to credit risk for loans and advances to customers and banks, including the impact of credit risk mitigation and problem credit management. Our credit portfolio remains well diversified and predominantly short term.

The loan portfolio is summarised by client segment and by credit quality (neither past due nor impaired; past due; and impaired) on page 72. The Group manages its loan portfolio between those assets that are performing in line with their contractual terms (whether original or renegotiated) and those that are non-performing. Corporate & Institutional Clients and Commercial Clients exposures are typically managed on an individual basis and consequently credit grade migration is a key component of credit risk management. In Retail Clients, loans are monitored at a portfolio level and delinquency trends are monitored consistently as part of risk management. In all three client segments, credit risk is mitigated to some degree through collateral, further details of which are set out on pages 66 to 70.

This section covers a summary of the Group's loan portfolio, broadly analysed by business and geography, along with an analysis of the maturity profile, credit quality and provisioning of the loan book

Geographic and client segmental analysis

Loans and advances to customers (net of individual impairment provisions (IIPs) and portfolio impairment provisions (PIPs)) decreased by \$27.2 billion since December 2014. This reduction was primarily within the Corporate & Institutional Clients segment (\$17.7 billion) and Commercial Clients segment (\$3.5 billion) as a result of risk mitigation in markets and sectors that were experiencing a prolonged slowdown.

The decrease in loans to banks of \$20.7 billion since December 2014 was primarily across Greater China (\$7.4 billion), Europe (\$5.9 billion) and ASEAN (\$4.6 billion). This is mostly due to the liquidity management activity of the Group. Given the nature of the book, it is predominantly short term and the maturity profile remains consistent period-on-period.

Loans and advances in the overall Retail Clients portfolio were down 3 per cent with the largest reduction in ASEAN. The slowdown in growth is due to regulatory cooling measures, sales channel realignment and risk-mitigating actions in specific markets. This was partially offset by growth in residential mortgages in Hong Kong and Korea.

Overall, the regional split of our loans and advances to customers is very similar to 2014 and our loan portfolio remains well diversified across our footprint countries, with our largest single country representing 21 per cent of loans and advances to customers and banks.

Standard Chartered Bank

Risk and Capital review continued

Loan portfolio continued

Client segment by geographic region

Group	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Corporate and Institutional Clients	26,748	7,880	7,002	32,765	9,921	4,546	10,377	41,247	140,486
Commercial Clients	3,800	2,403	1,769	1,712	857	635	-	43	11,219
Private Banking Clients	3,406	-	152	7,615	257	-	-	3,632	15,062
Retail Clients	42,295	18,426	4,292	23,489	4,799	1,581	-	283	95,165
	76,249	28,709	13,215	65,581	15,834	6,762	10,377	45,205	261,932
Portfolio impairment provision	(169)	(69)	(50)	(158)	(56)	(43)	(8)	(104)	(657)
Total loans and advances to customers^{1,2}	76,080	28,640	13,165	65,423	15,778	6,719	10,369	45,101	261,275
Intra-segmental balance³	1,595	(32)	6,122	1,519	3,707	4,843	1,129	(18,883)	-
Total loans and advances to customers^{1,4}	77,675	28,608	19,287	66,942	19,485	11,562	11,498	26,218	261,275
Total loans and advances to banks¹	21,375	4,596	515	7,777	2,266	957	10,532	18,749	66,767

Group	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Corporate and Institutional Clients	37,253	7,882	8,093	37,419	12,136	5,894	10,964	38,536	158,177
Commercial Clients	5,395	3,176	2,036	2,234	1,106	669	-	74	14,690
Private Banking Clients	3,494	-	167	9,732	274	-	-	4,365	18,032
Retail Clients	41,408	18,633	4,272	27,220	4,869	1,845	-	2	98,249
	87,550	29,691	14,568	76,605	18,385	8,408	10,964	42,977	289,148
Portfolio impairment provision	(98)	(75)	(56)	(201)	(78)	(47)	(9)	(132)	(696)
Total loans and advances to customers^{1,2}	87,452	29,616	14,512	76,404	18,307	8,361	10,955	42,845	288,452
Intra-segmental balance³	2,194	(34)	8,347	2,137	4,468	4,742	(3)	(21,851)	-
Total loans and advances to customers^{1,4}	89,646	29,582	22,859	78,541	22,775	13,103	10,952	20,994	288,452
Total loans and advances to banks¹	28,758	5,997	488	12,388	1,603	940	12,661	24,660	87,495

¹ Amounts net of individual impairment provision and include financial instruments held at fair value through profit or loss (see note 15 on page 196)

² Presented on the basis of booking location and not customer location

³ The intra-regional balance represents the attribution of lending from the booking location to the location of the customer

⁴ The balances are based on the location of the customer

Standard Chartered Bank

Risk and Capital review continued

Loan portfolio continued

Client segment by geographic region

Company	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Corporate and Institutional Clients	638	1,082	6,787	29,049	9,425	865	10,377	40,856	99,079
Commercial Clients	8	-	1,754	585	649	-	-	43	3,039
Private Banking Clients	-	-	120	6,777	257	-	-	3,632	10,786
Retail Clients	-	-	4,156	891	4,666	5	-	282	10,000
	646	1,082	12,817	37,302	14,997	870	10,377	44,813	122,904
Portfolio impairment provision	-	(1)	(49)	(62)	(50)	(2)	(8)	(104)	(276)
Total loans and advances to customers^{1,2}	646	1,081	12,768	37,240	14,947	868	10,369	44,709	122,628
Total loans and advances to banks^{1,2}	500	2,772	453	6,978	2,109	311	10,475	18,722	42,320

Company	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Corporate and Institutional Clients	795	1,015	7,813	32,497	11,319	997	10,964	38,071	103,471
Commercial Clients	11	-	2,012	667	859	-	-	74	3,623
Private Banking Clients	-	-	129	8,811	274	-	-	4,250	13,464
Retail	-	1	4,126	1,134	4,740	14	-	2	10,017
	806	1,016	14,080	43,109	17,192	1,011	10,964	42,397	130,575
Portfolio impairment provision	(1)	(2)	(54)	(91)	(68)	(2)	(9)	(132)	(359)
Total loans and advances to customers^{1,2}	805	1,014	14,026	43,018	17,124	1,009	10,955	42,265	130,216
Total loans and advances to banks¹	222	1,159	455	11,549	1,538	112	12,623	24,641	52,299

¹ Amounts net of individual impairment provision and include financial instruments held at fair value through profit or loss (see note 15 on page 198)

² Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Industry and Retail Products analysis by geographic region

In the Corporate & Institutional Clients and Commercial Clients segments, our largest industry exposure changed from energy to financing, insurance and non-banking clients, which constitutes 21 per cent of loans and advances to customers (2014: 15 per cent).

Lending to financing, insurance and non-banking clients is mostly to investment grade institutions and is part of the liquidity management of the Group.

Loans and advances to the energy sector have reduced and constitute 13 per cent (2014: 16 per cent) of total loans and advances to Corporate & Institutional Clients and Commercial Clients. The energy sector lending is spread across five sub-sectors and more than 300 clients.

The manufacturing sector makes up 14 per cent of the Corporate & Institutional Clients and Commercial Clients loans and advances (2014: 15 per cent). The manufacturing industry group is spread across a diverse range of industries, including automobiles and components, capital goods, pharmaceuticals, biotech and life sciences, technology hardware and equipment, chemicals, paper products and packaging, with lending spread over 4,700 clients.

The Group provides loans to commercial real estate (CRE) counterparties of \$13 billion (2014: \$16.1 billion), which represents less than 5 per cent of total customer loans and advances and less than 3 per cent of assets. Loans greater than five years are less than 9 per cent of the CRE portfolio.

In total, \$6.1 billion of this lending is to counterparties where the source of repayment is substantially derived from rental or sale of real estate and is secured by real estate collateral. The remaining CRE loans comprise working capital loans to real estate corporates, loans with non-property collateral, unsecured loans and loans to real estate entities of diversified conglomerates.

The CCPL and other unsecured lending of the Retail Products portfolio is down from 18 per cent to 16 per cent of the Retail Products loans and advances and is spread across multiple products in over 29 markets. The decrease in Retail unsecured portfolio was mainly due to market conditions and regulation, sales channel realignment, and risk actions in specific markets. There has otherwise been no significant change in the shape of our Retail Products portfolio.

Industry and Retail products analysis by geographic region

Group	2015								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Industry:									
Energy	1,041	275	83	5,689	881	508	2,628	8,576	19,681
Manufacturing	7,490	1,846	2,145	2,589	1,851	869	1,076	3,023	20,889
Financing, insurance and non-banking	4,182	780	700	5,443	955	267	3,948	15,183	31,458
Transport, telecom and utilities	2,804	1,654	919	3,075	945	713	723	5,526	16,359
Food and household products	1,498	232	668	4,716	1,399	1,083	906	1,126	11,628
Commercial real estate	4,680	2,091	1,460	3,200	1,037	87	-	473	13,028
Mining and quarrying	1,261	408	594	2,364	341	617	389	2,581	8,555
Consumer durables	3,905	574	1,160	927	1,116	319	295	2,563	10,859
Construction	945	362	653	1,256	1,123	211	28	724	5,302
Trading companies & distributors	642	235	96	602	451	277	29	97	2,429
Government	1,171	1,247	-	3,191	131	19	128	325	6,212
Other	929	579	293	1,425	548	211	227	1,093	5,305
Retail Products:									
Mortgages	35,869	13,397	2,345	18,519	1,878	367	-	1,313	73,688
CCPL and other unsecured lending	5,902	3,582	995	3,798	2,038	1,147	-	90	17,552
Auto	-	-	38	407	345	6	-	-	796
Secured wealth products	3,673	54	31	7,725	98	-	-	2,505	14,086
Other	257	1,393	1,035	655	697	61	-	7	4,105
	76,249	28,709	13,215	65,581	15,834	6,762	10,377	45,205	261,932
Portfolio impairment provision	(169)	(69)	(50)	(158)	(56)	(43)	(8)	(104)	(657)
Total loans and advances to customers¹	76,080	28,640	13,165	65,423	15,778	6,719	10,369	45,101	261,275
Total loans and advances to banks¹	21,375	4,596	515	7,777	2,266	957	10,532	18,749	66,767

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Industry and Retail products analysis by geographic region continued

Group	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Industry:									
Energy	1,470	310	123	9,006	1,228	533	3,206	11,347	27,223
Manufacturing	9,456	2,419	2,452	4,337	2,239	1,031	1,031	3,838	26,803
Financing, insurance and non-banking	5,856	995	431	5,497	1,136	628	3,507	7,336	25,386
Transport, telecom and utilities	3,715	1,602	922	3,706	1,210	662	612	6,055	18,484
Food and household products	2,589	313	929	5,034	1,381	1,346	1,438	1,302	14,332
Commercial real estate	6,876	2,190	1,503	3,798	1,133	79	-	485	16,064
Mining and quarrying	3,383	649	922	2,186	512	764	273	4,123	12,812
Consumer durables	5,076	659	1,291	1,170	1,385	439	404	1,752	12,176
Construction	1,169	486	897	1,178	1,352	252	20	1,095	6,449
Trading companies & distributors	1,419	400	232	932	719	418	56	114	4,290
Government	536	368	5	1,206	230	19	220	165	2,749
Other	1,103	667	422	1,603	717	392	197	998	6,099
Retail Products:									
Mortgages	34,381	12,918	2,366	20,724	1,853	345	-	1,320	73,907
CCPL and other unsecured lending	6,673	4,407	987	4,850	2,096	1,425	-	51	20,489
Auto	-	-	40	631	339	6	-	-	1,016
Secured wealth products	3,466	74	70	9,385	805	-	-	1,455	15,255
Other	382	1,234	976	1,362	50	69	-	1,541	5,614
	87,550	29,691	14,568	76,605	18,385	8,408	10,964	42,977	289,148
Portfolio impairment provision	(98)	(75)	(56)	(201)	(78)	(47)	(9)	(132)	(696)
Total loans and advances to customers¹	87,452	29,616	14,512	76,404	18,307	8,361	10,955	42,845	288,452
Total loans and advances to banks¹	28,758	5,997	488	12,388	1,603	940	12,661	24,660	87,495

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Industry and Retail products analysis by geographic region continued

Company	2015								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Industry:									
Energy	-	47	82	5,511	842	101	2,628	8,576	17,787
Manufacturing	569	17	2,093	1,594	1,650	30	1,076	3,023	10,052
Financing, insurance and non-banking	-	-	687	5,198	1,169	5	3,948	15,182	26,189
Transport, telecom and utilities	-	981	916	2,837	771	125	723	5,137	11,490
Food and household products	7	1	622	3,865	1,227	101	906	1,126	7,855
Commercial real estate	-	-	1,383	2,837	1,036	-	-	473	5,729
Mining and quarrying	-	-	582	1,932	317	318	389	2,581	6,119
Consumer durables	31	-	1,158	679	921	137	295	2,562	5,783
Construction	32	-	642	986	1,105	13	28	724	3,530
Trading companies & distributors	-	34	89	455	395	27	29	97	1,126
Government	-	-	-	2,447	120	-	128	325	3,020
Other	7	2	287	1,293	521	8	227	1,093	3,438
Retail Products:									
Mortgages	-	-	2,285	199	1,841	5	-	1,312	5,642
CCPL and other unsecured lending	-	-	981	580	1,952	-	-	90	3,603
Auto	-	-	15	-	345	-	-	-	360
Secured wealth products	-	-	31	6,808	89	-	-	2,505	9,433
Other	-	-	964	81	696	-	-	7	1,748
	646	1,082	12,817	37,302	14,997	870	10,377	44,813	122,904
Portfolio impairment provision	-	(1)	(49)	(62)	(50)	(2)	(8)	(104)	(276)
Total loans and advances to customers¹	646	1,081	12,768	37,240	14,947	868	10,369	44,709	122,628
Total loans and advances to banks¹	500	2,772	453	6,978	2,109	311	10,475	18,722	42,320

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Industry and Retail products analysis by geographic region continued

Company	2014								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Industry:									
Energy	-	35	120	8,590	1,153	81	3,206	11,347	24,532
Manufacturing	515	16	2,422	3,017	2,039	32	1,031	3,837	12,909
Financing, insurance and non-banking	-	-	407	4,565	1,327	13	3,507	7,336	17,155
Transport, telecom and utilities	-	945	922	3,456	944	40	612	5,637	12,556
Food and household products	14	3	852	4,138	1,136	139	1,438	1,294	9,014
Commercial real estate	-	-	1,417	3,380	1,132	-	-	483	6,412
Mining and quarrying	135	2	893	1,482	461	381	273	4,123	7,750
Consumer durables	110	-	1,286	894	1,090	226	404	1,753	5,763
Construction	32	-	880	830	1,326	29	20	1,095	4,212
Trading companies & distributors	-	11	216	809	668	39	56	79	1,878
Government	-	-	5	647	219	-	220	165	1,256
Other	-	3	405	1,356	683	17	197	996	3,657
Retail Products:									
Mortgages	-	-	2,302	231	1,825	14	-	1,320	5,692
CCPL and other unsecured lending	-	1	971	739	2,014	-	-	51	3,776
Auto	-	-	14	1	339	-	-	-	354
Secured wealth products	-	-	70	8,764	800	-	-	1,447	11,081
Other	-	-	898	210	36	-	-	1,434	2,578
	806	1,016	14,080	43,109	17,192	1,011	10,964	42,397	130,575
Portfolio impairment provision	(1)	(2)	(54)	(91)	(68)	(2)	(9)	(132)	(359)
Total loans and advances to customers¹	805	1,014	14,026	43,018	17,124	1,009	10,955	42,265	130,216
Total loans and advances to banks¹	222	1,159	455	11,549	1,538	112	12,623	24,641	52,299

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Loan portfolio continued

Maturity analysis by client segment

The loans and advances to the Corporate & Institutional Clients and Commercial Clients segments remain predominantly short term, with 67 per cent of loans and advances to customers in the segments maturing under one year, an increase of 2 per cent compared to December 2014. 95 per cent of the loans to banks mature in less than one year. Shorter maturity gives us the flexibility to respond promptly to events and rebalance or reduce our exposure to clients or sectors that are facing increased pressure or uncertainty.

The Private Banking Clients loan book also demonstrates a short-term bias typical for loans that are secured on wealth management assets.

The Retail Clients loan book continues to be longer-term in nature at 66 per cent (2014: 64 per cent) as Mortgages constitute the majority of the Retail Clients loan book. The slight increase in the tenor of retail products overall reflects the reduction in unsecured assets and the corresponding increase in the proportion of mortgages.

By Client segment

Group	2015			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Corporate and Institutional Clients	155,900	41,037	10,317	207,254
- Loans to banks	63,158	3,572	38	66,768
- Loans to customers	92,742	37,465	10,279	140,486
Commercial Clients	8,925	1,262	1,032	11,219
Private Banking Clients	13,468	486	1,108	15,062
Retail Clients	15,366	17,304	62,495	95,165
	193,659	60,089	74,952	328,700
Portfolio impairment provision				(658)
Total loans and advances to banks and customers				328,042

Group	2014			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Corporate and Institutional Clients	184,754	48,542	12,378	245,674
- Loans to banks	83,840	3,587	70	87,497
- Loans to customers	100,914	44,955	12,308	158,177
Commercial Clients	11,905	1,436	1,349	14,690
Private Banking Clients	15,349	1,423	1,260	18,032
Retail Clients	16,877	18,610	62,762	98,249
	228,885	70,011	77,749	376,645
Portfolio impairment provision				(698)
Total loans and advances to banks and customers				375,947

Standard Chartered Bank

Risk and Capital review continued

Loan portfolio continued

Maturity analysis by client segment continued

By Client segment

Company	2015			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Corporate and Institutional Clients	101,945	31,057	8,398	141,400
- Loans to banks	39,227	3,056	38	42,321
- Loans to customers	62,718	28,001	8,360	99,079
Commercial Clients	2,603	265	171	3,039
Private Banking Clients	10,142	369	275	10,786
Retail Clients	2,835	2,589	4,576	10,000
	117,525	34,280	13,420	165,225
Portfolio impairment provision				(277)
Total loans and advances to banks and customers				164,948

Company	2014			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Corporate and Institutional Clients	111,523	33,877	10,371	155,771
- Loans to banks	49,003	3,227	70	52,300
- Loans to customers	62,520	30,650	10,301	103,471
Commercial Clients	3,051	334	238	3,623
Private Banking Clients	11,787	1,324	353	13,464
Retail Clients	2,863	2,624	4,530	10,017
	129,224	38,159	15,492	182,875
Portfolio impairment provision				(360)
Total loans and advances to banks and customers				182,515

Standard Chartered Bank

Risk and Capital review continued

Maturity analysis by Industry

By Industry

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

Group	2015			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Industry:				
Energy	9,122	8,075	2,484	19,681
Manufacturing	15,690	4,309	890	20,889
Financing, insurance and non-banking	27,048	4,079	331	31,458
Transport, telecom and utilities	5,510	5,593	5,256	16,359
Food and household products	9,606	1,957	65	11,628
Commercial real estate	6,178	5,730	1,120	13,028
Mining and quarrying	5,745	2,421	389	8,555
Consumer durables	9,055	1,720	84	10,859
Construction	3,442	1,779	81	5,302
Trading companies & distributors	2,115	296	18	2,429
Government	5,890	237	85	6,212
Other	2,266	2,531	508	5,305
Retail Products:				
Mortgages	4,106	9,065	60,517	73,688
CCPL and other unsecured lending	9,054	7,116	1,382	17,552
Auto	132	612	52	796
Secured wealth products	13,644	304	138	14,086
Other	1,898	693	1,514	4,105
	130,501	56,517	74,914	261,932
Portfolio impairment provision				(657)
Total loans and advances to customers¹				261,275

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Maturity analysis by Industry continued

By Industry

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

Group	2014			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Industry:				
Energy	14,894	9,545	2,784	27,223
Manufacturing	19,984	5,813	1,006	26,803
Financing, insurance and non-banking	20,980	4,162	244	25,386
Transport, telecom and utilities	6,083	6,946	5,455	18,484
Food and household products	11,642	2,606	84	14,332
Commercial real estate	6,184	8,549	1,331	16,064
Mining and quarrying	9,104	2,517	1,191	12,812
Consumer durables	10,682	1,346	148	12,176
Construction	3,758	2,060	631	6,449
Trading companies & distributors	3,969	246	75	4,290
Government	2,612	56	81	2,749
Other	2,927	2,545	627	6,099
Retail Products:				
Mortgages	4,733	8,786	60,388	73,907
CCPL and other unsecured lending	10,424	8,533	1,532	20,489
Auto	199	742	75	1,016
Secured wealth products	14,085	1,074	96	15,255
Other	2,785	898	1,931	5,614
	145,045	66,424	77,679	289,148
Portfolio impairment provision				(696)
Total loans and advances to customers¹				288,452

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Maturity analysis by Industry continued

By Industry

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

Company	2015			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Industry:				
Energy	7,824	7,703	2,260	17,787
Manufacturing	6,935	2,442	675	10,052
Financing, insurance and non-banking	22,794	3,078	317	26,189
Transport, telecom and utilities	3,981	3,666	3,843	11,490
Food and household products	6,586	1,258	11	7,855
Commercial real estate	1,981	3,272	476	5,729
Mining and quarrying	3,954	1,846	319	6,119
Consumer durables	4,542	1,223	18	5,783
Construction	2,127	1,337	66	3,530
Trading companies & distributors	910	210	6	1,126
Government	2,716	220	84	3,020
Other	971	2,011	456	3,438
Retail Products:				
Mortgages	1,206	790	3,646	5,642
CCPL and other unsecured lending	1,677	1,549	377	3,603
Auto	105	237	18	360
Secured wealth products	9,190	205	38	9,433
Other	799	177	772	1,748
	78,298	31,224	13,382	122,904
Portfolio impairment provision				(276)
Total loans and advances to customers¹				122,628

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Maturity analysis by Industry continued

By Industry

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

Company	2014			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Industry:				
Energy	12,797	9,153	2,582	24,532
Manufacturing	9,169	3,013	727	12,909
Financing, insurance and non-banking	14,772	2,168	215	17,155
Transport, telecom and utilities	3,871	4,474	4,211	12,556
Food and household products	7,346	1,617	51	9,014
Commercial real estate	1,611	4,295	506	6,412
Mining and quarrying	4,778	1,988	984	7,750
Consumer durables	5,038	667	58	5,763
Construction	2,111	1,509	592	4,212
Trading companies & distributors	1,733	132	13	1,878
Government	1,149	38	69	1,256
Other	1,196	1,930	531	3,657
Retail Products:				
Mortgages	1,226	746	3,720	5,692
CCPL and other unsecured lending	1,764	1,610	402	3,776
Auto	102	234	18	354
Secured wealth products	10,098	943	40	11,081
Other	1,460	415	703	2,578
	80,221	34,932	15,422	130,575
Portfolio impairment provision				(359)
Total loans and advances to customers¹				130,216

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting arrangements, credit insurance, credit derivatives taking into account expected volatility and guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. See page 140 for our overall approach to credit risk mitigation.

Collateral

The requirement for collateral is not a substitute for the ability to pay, which is the primary consideration for any lending decision.

As a result of reinforcing our collateralisation requirements, the fair value of collateral held as a percentage of the amount outstanding has increased by 4 per cent since the end of 2014.

The unadjusted market value of collateral, in respect of Corporate & Institutional Clients and Commercial Clients, without adjusting for over-collateralisation, was \$201 billion (2014: \$212 billion).

The collateral values in the table on page 67 are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. Exposures for 50 per cent of the clients that have placed collateral with the Group are over-collateralised. The average amount of over-collateralisation is 51 per cent.

We have remained conservative in the way we assess the value of collateral, which is calibrated to a severe downturn and backtested against our prior experience. On average across all types of collateral, the value ascribed is approximately half of its current market value.

The decrease of commodities from 3 per cent to 1 per cent of collateral balances is primarily as a result of our overall reduction in commodity-related exposure. The increase of reverse repurchase (repo) and securities collateral from 36 per cent to 42 per cent represents an increase in the deployment of liquidity by Asset and Liability Management (ALM) to Corporate & Institutional Clients and Commercial Clients.

The average LTV ratio of the CRE portfolio has remained relatively stable at 37.4 per cent, compared with 39.9 per cent in 2014. The proportion of loans with an LTV greater than 80 per cent has remained below 2 per cent during the same period.

In the Retail Clients and Private Banking Clients segments, a secured loan is one where the borrower pledges an asset as collateral of which the Group is able to take possession in the event that the borrower defaults. The collateral levels for Retail Clients have remained stable compared to 2014.

For loans and advances to customers and banks (including those held at fair value through profit or loss), the table on the following page sets out the fair value of collateral held by the Group, adjusted where appropriate in accordance with the risk mitigation policy as outlined on page 67 and for the effect of over-collateralisation.

Standard Chartered Bank

Risk and Capital review continued

Group	Collateral			Amount Outstanding ¹		
	Of which			Of which		
	Total	Past due but not individually impaired loans	Individually impaired loans	Total	Past due but not individually impaired loans	Individually impaired loans
	\$million	\$million	\$million	\$million	\$million	\$million
As at 31 December 2015						
Corporate & Institutional Clients ²	63,145	57	1,547	207,254	2,278	10,428
Commercial Clients	5,331	191	298	11,219	337	1,246
Private Banking Clients	10,561	52	322	15,062	52	325
Retail Clients	73,442	1,563	258	95,165	2,402	831
Total	152,479	1,863	2,425	328,700	5,069	12,830
As at 31 December 2014						
Corporate & Institutional Clients ²	63,798	228	809 ³	245,674	1,847	6,094
Commercial Clients	5,924	265 ³	253	14,690	454	1,068
Private Banking Clients	12,905	220	40	18,032	140	91
Retail Clients	74,994 ³	2,053	360	98,249	2,928	846
Total	157,621	2,766	1,462	376,645	5,369	8,099

¹ Includes loans held at fair value through profit or loss

² Includes loans and advances to banks

³ Balances have been restated

Company	Collateral			Amount Outstanding ¹		
	Of which			Of which		
	Total	Past due but not individually impaired loans	Individually impaired loans	Total	Past due but not individually impaired loans	Individually impaired loans
	\$million	\$million	\$million	\$million	\$million	\$million
As at 31 December 2015						
Corporate & Institutional Clients ²	46,127	42	1,252	141,400	1,955	8,766
Commercial Clients	1,123	159	80	3,039	211	545
Private Banking Clients	7,315	51	322	10,786	51	325
Retail Clients	4,635	354	79	10,000	527	109
Total	59,200	606	1,733	165,225	2,744	9,745
As at 31 December 2014						
Corporate & Institutional Clients ²	42,838	162	416 ³	155,771	1,555	4,678
Commercial Clients	1,430	97	58	3,623	272	543
Private Banking Clients	1,908	220	40	13,464	139	32
Retail Clients	4,034	523	121	10,017	535	109
Total	50,210	1,002	635	182,875	2,501	5,362

¹ Includes loans held at fair value through profit or loss

² Includes loans and advances to banks

³ Balances have been restated

Standard Chartered Bank

Risk and Capital review continued

Corporate & Institutional Clients and Commercial Clients

Collateral held against Corporate & Institutional Clients and Commercial Clients exposures amounted to \$68 billion (2014: \$70 billion).

Our underwriting standards encourage taking specific charges on assets and we consistently seek high-quality, investment-grade collateral. 30 per cent of collateral held comprises physical assets or is property-based, with the remainder held largely in cash and investment securities.

Non-tangible collateral – such as guarantees and letters of credit – may also be held against corporate exposures, although the financial effect of this type of collateral is less significant in terms of recoveries. However, this type of collateral is considered when determining probability of default and other credit-related factors.

Collateral taken for longer-term and non-investment grade loans continues to be high at 59 per cent (55 per cent in 2014). Collateral is also held against off-balance sheet exposures, including undrawn commitments and trade-related instruments.

The proportion of highly rated securities of 31 per cent of collateral increased from 24 per cent compared to December 2014, due to higher levels of reverse repo transactions.

The following table provides an analysis of the types of collateral held against Corporate & Institutional Clients and Commercial Clients loan exposures:

Group	2015 \$million	2014 \$million
Property	16,679	15,783
Plant, machinery and other stock	3,822	5,498
Cash	11,060	12,594
Reverse repo & securities	28,973	25,641
AAA	4	4
AA- to AA+	21,679	17,188
BBB- to BBB+	3,240	3,062
Lower than BBB-	1,150	997
Unrated	2,900	4,390
Commodities	923	2,426
Ships and aircraft	7,019	7,780
Total value of collateral	68,476	69,722

Company	2015 \$million	2014 \$million
Property	8,166	7,604
Plant, machinery and other stock	2,768	3,538
Cash	9,324	7,895
Reverse repo & securities	23,121	20,193
AAA	2	-
AA- to AA+	17,170	13,327
BBB- to BBB+	2,950	2,846
Lower than BBB-	1,147	982
Unrated	1,852	3,038
Commodities	816	1,954
Ships and aircraft	3,055	3,084
Total value of collateral	47,250	44,268

Standard Chartered Bank

Risk and Capital review continued

Retail Clients and Private Banking Clients

In Retail Clients and Private Banking Clients, 82 per cent of the portfolio is fully secured. The average LTV is less than 50 per cent on the mortgage book. In Retail Clients and Private Banking Clients segments, unsecured portfolio is 15 per cent, down from 19 per cent in 2014.

In Retail mortgage loans, the value of property held as security significantly exceeds the value of mortgage loans. LTV ratios measure the ratio of the current mortgage outstanding to the current fair value of the properties on which they are secured.

The overall LTV ratio on our mortgage portfolio is less than 50 per cent – relatively unchanged since the end of 2014. Our major mortgage markets of Hong Kong, Korea and Taiwan have an average LTV of less than 50 per cent. Compared with December 2014, the proportion of the portfolio with LTVs in excess of 100 per cent is primarily within the MENAP region, mainly from the UAE legacy (pre 2009) portfolio.

The following table presents an analysis of loans to individuals by product split between fully secured, partially secured and unsecured:

Group	2015 ¹				2014			
	Fully secured \$million	Partially secured \$million	Unsecured \$million	Total ² \$million	Fully secured \$million	Partially secured \$million	Unsecured \$million	Total ² \$million
Loans to individuals								
Mortgages	72,674	1,014	-	73,688	73,907	-	-	73,907
Credit card and personal loans	386	632	16,534	17,552	4	-	20,485	20,489
Auto	792	-	4	796	1,016	-	-	1,016
Secured wealth products	13,689	383	14	14,086	15,255	-	-	15,255
Other	2,577	1,208	320	4,105	2,757	1,494	1,363	5,614
	90,118	3,237	16,872	110,227	92,939	1,494	21,848	116,281
Percentage of total loans	82%	3%	15%		80%	1%	19%	

¹ For 2015 the allocation of products between fully secured, partially secured and unsecured have been refined. 2014 balances have not been re-presented

² Amounts net of individual impairment provisions

Mortgage Loan-to-value ratios by geography

The following table provides an analysis of LTV ratios by geography for the Retail Clients and Private Banking Clients mortgages portfolio:

Group	2015								
	Greater China %	North East Asia %	South Asia %	ASEAN %	MENAP %	Africa %	Americas %	Europe %	Total %
Less than 50 per cent	62.9	47.2	68.8	32.5	23.7	34.3	-	38.5	51.4
50 per cent to 59 per cent	15.1	20.8	13.5	18.4	18.0	13.9	-	38.5	17.4
60 per cent to 69 per cent	10.8	28.0	12.1	19.5	22.2	19.2	-	18.3	16.7
70 per cent to 79 per cent	6.9	2.8	4.6	18.9	17.9	21.1	-	4.3	9.1
80 per cent to 89 per cent	3.7	0.7	0.5	9.9	9.7	8.2	-	-	4.5
90 per cent to 99 per cent	0.6	0.3	0.1	0.6	3.5	2.1	-	0.5	0.6
100 per cent and greater	-	0.2	0.3	0.2	5.0	1.1	-	-	0.3
Average Portfolio loan to value	44.1	49.2	38.6	57.2	64.0	58.3	-	44.4	48.9
Loans to individuals - Mortgages (\$million)	35,869	13,397	2,345	18,519	1,878	367	-	1,313	73,688

Group	2014								
	Greater China %	North East Asia %	South Asia %	ASEAN %	MENAP %	Africa %	Americas %	Europe %	Total %
Less than 50 per cent	65.7	46.3	68.5	32.7	28.9	32.1	-	33.2	52.0
50 per cent to 59 per cent	12.3	22.0	13.0	21.0	18.7	13.6	-	40.3	17.0
60 per cent to 69 per cent	10.5	24.5	11.3	20.1	19.8	21.7	-	23.2	16.2
70 per cent to 79 per cent	7.1	4.7	5.6	17.7	17.7	23.3	-	3.3	9.5
80 per cent to 89 per cent	4.1	1.5	1.2	7.3	7.2	8.9	-	-	4.4
90 per cent to 99 per cent	0.3	0.6	0.2	1.0	3.6	0.1	-	-	0.6
100 per cent and greater	-	0.4	0.2	0.2	4.1	0.3	-	-	0.3
Average Portfolio loan to value	44.0	50.0	38.7	56.4	61.4	58.2	-	51.5	49.3
Loans to individuals - Mortgages (\$million)	34,381	12,918	2,366	20,724	1,853	345	-	1,320	73,907

Standard Chartered Bank

Risk and Capital review continued

Collateral and other credit enhancements possessed or called upon

The Group obtains assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees). Repossessed properties are sold in an orderly fashion. Where the proceeds are in excess of the outstanding loan balance the excess is returned to the borrower. Certain equity securities acquired may be held by the Group for investment purposes and are classified as available-for-sale, and the related loan written off.

The carrying value of collateral possessed and held by the Group as at 31 December 2015 is \$45 million (2014: \$44 million). Cash increased \$22.5 million as a result of the bank calling on a deposit held as security.

	2015 \$million	2014 \$million
Property, plant & equipment	11.0	20.1
Equity Shares	2.6	18.1
Guarantees	3.6	2.3
Cash	26.1	3.6
Other	2.0	-
Total	45.3	44.1

Other credit risk mitigation

Other forms of credit risk mitigation are set out below.

Securitisation

The Group has transferred to third parties by way of securitisation the rights to any collection of principal and interest on client loan assets with a face value of \$76 million (2014: \$31 million). The Group continues to recognise these assets in addition to the proceeds and related liability of \$43 million (2014: \$29 million) arising from the securitisations. The Group considers the above client loan assets to be encumbered. Further details of encumbered assets are provided on page 117.

Credit default swaps

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of \$23 billion (2014: \$22.3 billion). These credit default swaps are accounted for as guarantees as they meet the accounting requirements set out in International Accounting Standards (IAS) 39. The Group continues to hold the underlying assets referenced in the credit default swaps and it continues to be exposed to related credit and foreign exchange risk on these assets.

Derivatives financial instruments

The Group enters into master netting agreements, which in the event of default results in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions. The value of exposure under master netting agreements is \$38,934 million (2014: \$43,735 million).

In addition, we enter into credit support annexes (CSAs) with counterparties where collateral is deemed a

necessary or desirable mitigant to the exposure. Cash collateral includes collateral called under a variation margin process from counterparties if total uncollateralised mark-to-market exposure exceeds the threshold and minimum transfer amount specified in the CSA. With certain counterparties, the CSA is reciprocal and requires us to post collateral if the overall mark-to-market values of positions are in the counterparty's favour and exceed an agreed threshold. The Group holds \$4,194 million (2014: \$3,484 million) under CSAs.

Off-balance sheet exposures

For certain types of exposures, such as letters of credit and guarantees, the Group obtains collateral – such as cash – depending on internal credit risk assessments, as well as in the case of letters of credit holding legal title to the underlying assets should a default take place.

Credit quality analysis

An overall breakdown of the loan portfolio by client segment is set out on page 72, differentiating between the performing and non-performing book.

Within the performing book, there is an analysis:

- By CG, which plays a central role in the quality assessment and monitoring of risk as explained on page 139
- Of loans and advances past due but not impaired: a loan is considered past due if payment of principal or interest has not been made on its contractual due date
- Of loans and advances where an impairment provision has been raised: these represent certain forbore accounts which have complied with their revised contractual terms for more than 180 days and on which no loss of principal is expected

Non-performing loans are analysed, net of individual impairment provisions, between what is past due but not impaired and what is impaired.

Further analysis of credit quality by geography, together with the related impairment charges and provisions, is set out on pages 81 to 84

Credit grade migration

Performing loans that are neither past due nor impaired constitute 96 per cent of customer loans and this is consistent with past periods (2014: 97 per cent). Overall credit quality has also remained stable, with the average CG of the corporate loan portfolio remaining at 8B, unchanged since 2013.

All loans are assigned a CG, which is reviewed periodically and amended in light of changes in the borrower's circumstances or behaviour. CG 1 to 12 are assigned to performing clients or accounts, while CG 13 and 14 are assigned to non-performing or defaulted clients.

Further details of our approach to credit rating are set out on page 139.

CG migration trends have also been stable across most countries, although there has been some deterioration in India and commodities, related to the slower economic growth. The decrease in CG 12 balances in 2015 is principally due to the downgrade of an interconnected group of exposures. Excluding this, the CG composition

Standard Chartered Bank

Risk and Capital review continued

across all client segments is consistent with the prior year. In respect of loans to banks, the credit quality composition is also consistent with prior periods, with most of the growth in this period being in CG 1 to 5.

Retail Clients credit quality composition remained stable over last year. The increase in Private Banking CG 12 balance in 2015 is due to the credit migration of an exposure to a connected group.

Performing loans and advances 'past due but not impaired' are \$0.6 billion lower than in 2014, with decreases across all categories. The past due balances arise substantially in the 'up to 30 days past due' category. In the Corporate & Institutional Clients and Commercial Clients segments, across all past due categories, approximately 60 per cent of the amounts past due were regularised by 31 January 2016. Of the \$428million of Corporate & Institutional Clients exposures past due but not impaired in the 61-90 day bucket, more than 40 per cent had been repaid by the end of January 2016.

Non-performing loans (NPLs)

Non-performing loans (NPLs) (net of individual impairment provisions) are higher by \$2.4 billion. This increase is primarily in the Corporate & Institutional Clients segment and is driven by an interconnected group of exposures within the liquidation portfolio that are financially booked in Europe. Details and further analysis of gross and net NPLs by client segment and by geography are provided on pages 85 and 89.

An NPL is any loan that is more than 90 days past due or is otherwise individually impaired. This excludes loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected. These loans may have a provision reflecting the time value of money, and, if so, are reported as part of forbore loans.

The definition and policies in respect of renegotiated and forbore loans are set out on page 142.

Loan impairment

The Group loan impairment and other credit risk provisions charge for 2015 has increased by \$2.8 billion or 132 per cent, to \$5 billion compared to 2014. This represents 178 basis points (bps) of average customer loans and advances.

In Corporate & Institutional Clients and Commercial Clients, total balance sheet IIPs for NPLs have increased by \$3.1 billion, or 112 per cent, compared to 31 December 2014. This reflects ongoing pressure in commodities and in India in addition to a charge of \$968 million taken in the fourth quarter which relates to a decision to manage out exposures in the liquidation portfolio. Loan impairment for Corporate & Institutional Clients and Commercial Clients represents 253 bps of average customer loans and advances.

In Retail Clients, total IIPs have decreased by \$121 million compared to 2014. Impairments from Korea Personal Debt Rehabilitation Scheme-related losses have decreased along with the improvement in Thailand and Malaysia. Portfolio impairment provisions decreased marginally mainly due to foreign exchange

translation. We remain disciplined in our approach to risk management and proactive in our collection efforts to minimise account delinquencies.

Other impairment, excluding goodwill impairment, has decreased by \$159 million to \$244 million, reflecting the lower impairments of debt securities in Europe and associated investments in Asia.

Portfolio impairment provision

PIPs are held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in any loan portfolio. PIP balances have decreased 6 per cent from 2014. There was a reduction of \$102 million in the Corporate & Institutional Clients segment which is due to improvement in credit quality of the performing book and reduction in exposure. This decrease was partially offset by an increase of \$73 million in the PIP balance for the Commercial Clients segment, due to market adjustment for the deterioration in the credit environment in some of our footprint markets.

Further details around the policy and rationale underlying the determinant of the PIP are discussed in the Loan impairment section of the Risk management approach on pages 141 to 142.

Cover ratio

The cover ratio measures the proportion of total impairment provisions to gross NPLs, and is a metric commonly used in considering impairment trends. This metric does not allow for variations in the composition of NPLs and should be used in conjunction with other credit risk information provided, including the level of collateral cover.

The cover ratio before collateral for Retail Clients decreased to 80 per cent (2014: 91 per cent). The cover ratio before collateral for Corporate & Institutional Clients increased to 51 per cent compared to 46 per cent in 2014. The Commercial Clients segment cover ratio before collateral also increased to 68 per cent from 51 per cent in 2014. Private Banking Clients segment remains fully covered taking into account the collateral value held.

The balance of NPLs not covered by IIPs represents the adjusted value of collateral held and the Group's estimate of the net outcome of any workout or recovery strategy. The cover ratio after taking into account collateral, but excluding PIPs, for Corporate & Institutional Clients is 64 per cent (2014: 55 per cent) and for Commercial Clients is 83 per cent (2014: 71 per cent).

As highlighted on page 66, collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post-impairment provisions. Details are provided on pages 66 to 70.

Standard Chartered Bank

Risk and Capital review continued

Credit quality analysis continued

By Client segment

Group	2015					
	Loans to banks	Loans to Customers				Total
		Corporate and Institutional	Commercial	Private Banking	Retail Clients	
	\$million	\$million	\$million	\$million	\$million	\$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	60,196	64,110	451	2,645	65,223	132,429
- Grades 6-8	4,855	50,078	4,231	11,770	14,944	81,023
- Grades 9-11	1,327	18,257	5,663	151	11,610	35,681
- Grade 12	44	779	39	122	492	1,432
	66,422	133,224	10,384	14,688	92,269	250,565
<i>of the above, renegotiated loans</i>	1	950	-	-	152	1,102
Past due but not impaired						
- Up to 30 days past due	177	1,435	255	52	1,701	3,443
- 31 - 60 days past due	2	110	39	-	335	484
- 61 - 90 days past due	126	428	30	-	152	610
	305	1,973	324	52	2,188	4,537
<i>of the above, renegotiated loans</i>	-	197	1	-	42	240
Impaired forborne loans, net of provisions	-	-	-	-	240	240
Total performing loans	66,727	135,197	10,708	14,740	94,697	255,342
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	9	-	149	158
- 121 - 150 days past due	-	-	4	-	65	69
	-	-	13	-	214	227
Individually impaired loans, net of provisions	41	5,289	498	322	254	6,363
<i>of the above, forborne loans</i>	1	3,023	56	-	214	3,293
Total non-performing loans, net of individual impairment	41	5,289	511	322	468	6,590
Total loans and advances	66,768	140,486	11,219	15,062	95,165	261,932
Portfolio impairment provision	(1)	(227)	(112)	(2)	(316)	(657)
Total net loans and advances	66,767	140,259	11,107	15,060	94,849	261,275

The following table sets out loans and advances held at fair value through profit and loss which are included within the table above

Neither past due nor impaired						
- Grades 1-5	2,134	1,796	-	-	-	1,796
- Grades 6-8	141	891	-	-	-	891
- Grades 9-11	-	1,128	-	-	-	1,128
- Grade 12	-	-	-	-	-	-
	2,275	3,815	-	-	-	3,815
Past due but not impaired						
- Up to 30 days past due	-	-	-	-	-	-
- 31 - 60 days past due	-	-	-	-	-	-
- 61 - 90 days past due	-	98	-	-	-	98
Individually impaired loans	-	134	-	-	-	134

Standard Chartered Bank

Risk and Capital review continued

Credit quality analysis continued

By Client segment

Group	2014					
	Loans to banks	Loans to Customers				Total
		Corporate and Institutional	Commercial	Private Banking	Retail Clients	
	\$million	\$million	\$million	\$million	\$million	\$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	78,996	65,449	775	3,089	65,467	134,780
- Grades 6-8	6,456	61,863	5,413	14,648	14,472	96,396
- Grades 9-11	1,871	20,879	7,377	120	14,050	42,426
- Grade 12	28	4,526	126	3	944	5,599
	87,351	152,717	13,691	17,860	94,933	279,201
<i>of the above, renegotiated loans</i>	-	4,277	17	-	262	4,556
Past due but not impaired						
- Up to 30 days past due	40	1,467	344	139	2,187	4,137
- 31 - 60 days past due	-	183	60	1	400	644
- 61 - 90 days past due	3	154	23	-	179	356
	43	1,804	427	140	2,766	5,137
<i>of the above, renegotiated loans</i>	-	106	10	-	61	177
Impaired forborne loans, net of provisions	-	479	-	-	153	632
Total performing loans	87,394	155,000	14,118	18,000	97,852	284,970
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	2	-	96	98
- 121 - 150 days past due	-	-	25	-	66	91
	-	-	27	-	162	189
Individually impaired loans, net of provisions	103	3,177	545	32	235	3,989
<i>of the above, forborne loans</i>	-	1,072	48	-	225	1,345
Total non-performing loans, net of individual impairment	103	3,177	572	32	397	4,178
Total loans and advances	87,497	158,177	14,690	18,032	98,249	289,148
Portfolio impairment provision	(2)	(328)	(39)	(2)	(327)	(696)
Total net loans and advances	87,495	157,849	14,651	18,030	97,922	288,452

The following table sets out loans and advances held at fair value through profit and loss which are included within the table above

Neither past due nor impaired						
- Grades 1-5	3,293	1,651	-	-	-	1,651
- Grades 6-8	317	1,415	-	-	-	1,415
- Grades 9-11	-	320	-	-	-	320
- Grade 12	-	100	-	-	-	100
	3,610	3,486	-	-	-	3,486
Past due but not impaired						
- Up to 30 days past due	-	-	-	-	-	-
Individually impaired loans	-	418	-	-	-	418

Standard Chartered Bank

Risk and Capital review continued

Credit quality analysis continued

By Client segment

Company	2015					
	Loans to banks	Loans to Customers				Total
		Corporate and Institutional	Commercial	Private Banking	Retail Clients	
	\$million	\$million	\$million	\$million	\$million	\$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	36,673	43,689	44	2,038	4,425	50,196
- Grades 6-8	4,120	36,368	1,200	8,154	2,680	48,402
- Grades 9-11	1,236	11,920	1,381	99	2,286	15,686
- Grade 12	44	457	16	122	38	633
	42,073	92,434	2,641	10,413	9,429	114,917
<i>of the above, renegotiated loans</i>	1	768	1	-	16	785
Past due but not impaired						
- Up to 30 days past due	80	1,266	168	51	347	1,832
- 31 - 60 days past due	2	72	21	-	75	168
- 61 - 90 days past due	126	409	14	-	42	465
	208	1,747	203	51	464	2,465
<i>of the above, renegotiated loans</i>	-	194	1	-	6	207
Impaired forborne loans, net of provisions	-	-	-	-	4	4
Total performing loans	42,281	94,181	2,844	10,464	9,897	117,386
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	7	-	43	50
- 121 - 150 days past due	-	-	1	-	20	21
	-	-	8	-	63	71
Individually impaired loans, net of provisions	40	4,898	187	322	40	5,447
<i>of the above, forborne loans</i>	1	2,964	10	-	19	2,993
Total non-performing loans, net of individual impairment	40	4,898	195	322	103	5,518
Total loans and advances	42,321	99,079	3,039	10,786	10,000	122,904
Portfolio impairment provision	(1)	(136)	(61)	(2)	(77)	(276)
Total net loans and advances	42,320	98,943	2,978	10,784	9,923	122,628

The following table sets out loans and advances held at fair value through profit and loss which are included within the table above

Neither past due nor impaired						
- Grades 1-5	2,090	1,634	-	-	-	1,634
- Grades 6-8	141	891	-	-	-	891
- Grades 9-11	-	1,108	-	-	-	1,108
- Grade 12	-	-	-	-	-	-
	2,231	3,633	-	-	-	3,633
Past due but not impaired						
- Up to 30 days past due	-	-	-	-	-	-
- 61 - 90 days past due	-	98	-	-	-	98
Individually impaired loans	-	134	-	-	-	134

Standard Chartered Bank

Risk and Capital review continued

Credit quality analysis continued

By Client segment

Company	2014					
	Loans to banks	Loans to Customers				Total
		Corporate and Institutional	Commercial	Private Banking	Retail Clients	
	\$million	\$million	\$million	\$million	\$million	\$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	45,832	40,674	118	2,300	4,493	47,585
- Grades 6-8	5,117	41,248	1,369	10,924	1,765	55,306
- Grades 9-11	1,277	13,003	1,539	78	3,152	17,772
- Grade 12	28	3,900	23	3	52	3,978
	52,254	98,825	3,049	13,305	9,462	124,641
<i>of the above, renegotiated loans</i>	-	3,969	6	-	36	4,011
Past due but not impaired						
- Up to 30 days past due	27	1,218	216	138	362	1,934
- 31 - 60 days past due	-	170	40	1	73	284
- 61 - 90 days past due	3	137	11	-	45	193
	30	1,525	267	139	480	2,411
<i>of the above, renegotiated loans</i>	-	81	8	-	6	95
Impaired forborne loans, net of provisions	-	548	-	-	(5)	543
Total performing loans	52,284	100,898	3,316	13,444	9,937	127,595
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	2	-	34	36
- 121 - 150 days past due	-	-	3	-	21	24
	-	-	5	-	55	60
Individually impaired loans, net of provisions	16	2,573	302	20	25	2,920
<i>of the above, forborne loans</i>	-	922	7	-	11	940
Total non-performing loans, net of individual impairment	16	2,573	307	20	80	2,980
Total loans and advances	52,300	103,471	3,623	13,464	10,017	130,575
Portfolio impairment provision	(1)	(265)	(12)	(1)	(81)	(359)
Total net loans and advances	52,299	103,206	3,611	13,463	9,936	130,216

The following table sets out loans and advances held at fair value through profit and loss which are included within the table above

Neither past due nor impaired						
- Grades 1-5	3,293	1,397	-	-	-	1,397
- Grades 6-8	317	1,393	-	-	-	1,393
- Grades 9-11	-	314	-	-	-	314
- Grade 12	-	52	-	-	-	52
	3,610	3,156	-	-	-	3,156
Past due but not impaired						
- Up to 30 days past due	-	-	-	-	-	-
Individually impaired loans	-	418	-	-	-	418

Standard Chartered Bank

Risk and Capital review continued

Renegotiated and forborne loans

The table below shows an analysis of renegotiated and forborne loans by region.

Group	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Other renegotiated loans	219	79	11	337	426	153	-	118	1,343
Loans subject to forbearance	218	117	58	304	196	115	-	2,526	3,534
Total renegotiated and forborne loans	437	196	69	641	622	268	-	2,644	4,877

Group	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Other renegotiated loans	321	85	18	579	258	42	-	3,430	4,733
Loans subject to forbearance	212	114	75	417	550	75	-	534	1,977
Total renegotiated and forborne loans	533	199	93	996	808	117	-	3,964	6,710

Company	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Other renegotiated loans	-	-	11	283	416	160	-	117	987
Loans subject to forbearance	-	-	58	129	270	15	-	2,526	2,998
Total renegotiated and forborne loans	-	-	69	412	686	175	-	2,643	3,985

Company	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Other renegotiated loans	30	-	18	373	244	12	-	3,429	4,106
Loans subject to forbearance	-	-	75	286	571	19	-	532	1,483
Total renegotiated and forborne loans	30	-	93	659	815	31	-	3,961	5,589

Standard Chartered Bank

Risk and Capital review continued

Credit quality analysis continued

By Industry

Group	2015								
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Total	Movements in impairment			
						Individual impairment provision held as at 1 Jan 2015	Net impairment charge/(recovery)	Amounts written off/Other movements	Individual impairment provision held as at 31 Dec 2015
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Industry:									
Energy	16,750	264	3,917	(1,250)	19,681	141	1,276	(167)	1,250
Manufacturing	19,991	452	1,009	(563)	20,889	306	361	(104)	563
Financing, insurance and non-banking	31,100	57	724	(423)	31,458	334	115	(26)	423
Transport, telecom and utilities	15,688	328	862	(519)	16,359	266	291	(38)	519
Food and household products	11,036	277	688	(373)	11,628	336	302	(265)	373
Commercial real estate	12,868	120	60	(20)	13,028	16	8	(4)	20
Mining and quarrying	7,777	184	1,878	(1,284)	8,555	572	790	(78)	1,284
Consumer durables	10,473	146	666	(426)	10,859	275	202	(51)	426
Construction	4,709	68	857	(332)	5,302	99	296	(63)	332
Trading companies & distributors	1,918	304	526	(319)	2,429	296	206	(183)	319
Government	6,212	-	-	-	6,212	-	-	-	-
Other	5,086	110	283	(174)	5,305	118	125	(69)	174
Retail Products:									
Mortgage	72,173	1,367	272	(124)	73,688	131	20	(27)	124
CCPL and other unsecured lending	16,347	906	494	(195)	17,552	289	608	(702)	195
Auto	741	53	2	-	796	-	-	-	-
Secured wealth products	13,747	31	312	(4)	14,086	-	96	(92)	4
Other	3,949	97	76	(17)	4,105	97	34	(114)	17
Loans and advances to customers	250,565	4,764	12,626	(6,023)	261,932				
Individual impairment provision						3,276	4,730	(1,983)	6,023
Portfolio impairment provision					(657)	696	(3)	(36)	657
Total					261,275	3,972	4,727	(2,019)	6,680
Loans and advances to banks	66,422	305	204	(163)	66,768	-	-	-	-
Individual impairment provision					-	99	90	(26)	163
Portfolio impairment provision					(1)	2	(1)	-	1
Total					66,767	101	89	(26)	164

Standard Chartered Bank

Risk and Capital review continued

Credit quality analysis continued

By Industry

Group						Movements in impairment			
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Total	Individual impairment provision held as at 1 Jan 2014	Net impairment charge/(recovery)	Amounts written off/Other movements	Individual impairment provision held as at 31 Dec 2014
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Industry:									
Energy	26,568	293	503	(141)	27,223	109	43	(11)	141
Manufacturing	25,609	360	1,140	(306)	26,803	217	243	(154)	306
Financing, insurance and non-banking	24,708	27	985	(334)	25,386	474	11	(151)	334
Transport, telecom and utilities	17,899	277	574	(266)	18,484	333	77	(144)	266
Food and household products	13,860	263	545	(336)	14,332	247	124	(35)	336
Commercial real estate	15,989	36	55	(16)	16,064	39	1	(24)	16
Mining and quarrying	11,795	201	1,388	(572)	12,812	139	460	(27)	572
Consumer durables	11,841	123	487	(275)	12,176	266	45	(36)	275
Construction	5,769	270	509	(99)	6,449	76	35	(12)	99
Trading companies & distributors	4,055	54	477	(296)	4,290	265	43	(12)	296
Government	2,749	-	-	-	2,749	-	-	-	-
Other	5,566	354	297	(118)	6,099	84	64	(30)	118
Retail Products:									
Mortgage	72,131	1,610	297	(131)	73,907	123	42	(34)	131
CCPL and other unsecured lending	19,181	1,106	491	(289)	20,489	273	869	(853)	289
Auto	935	80	1	-	1,016	1	(4)	3	-
Secured wealth products	15,166	81	8	-	15,255	-	-	-	-
Other	5,380	191	140	(97)	5,614	103	39	(45)	97
Loans and advances to customers	279,201	5,326	7,897	(3,276)	289,148				
Individual impairment provision						2,749	2,092	(1,565)	3,276
Portfolio impairment provision					(696)	696	38	(38)	696
Total					288,452	3,445	2,130	(1,603)	3,972
Loans and advances to banks	87,351	43	202	(99)	87,497	-	-	-	-
Individual impairment provision					-	100	4	(5)	99
Portfolio impairment provision					(2)	2	-	-	2
Total					87,495	102	4	(5)	101

Standard Chartered Bank

Risk and Capital review continued

Credit quality analysis continued

By Industry

Company	2015								
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Total	Movements in impairment			
						Individual impairment provision held as at 1 Jan 2015	Net impairment charge/(recovery)	Amounts written off/Other movements	Individual impairment provision held as at 31 Dec 2015
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Industry:									
Energy	14,917	238	3,805	(1,173)	17,787	133	1,210	(170)	1,173
Manufacturing	9,487	286	577	(298)	10,052	73	240	(15)	298
Financing, insurance and non-banking	25,643	57	663	(174)	26,189	128	64	(18)	174
Transport, telecom and utilities	10,888	309	673	(380)	11,490	172	241	(33)	380
Food and household products	7,471	239	369	(224)	7,855	264	198	(238)	224
Commercial real estate	5,615	114	-	-	5,729	2	(2)	-	-
Mining and quarrying	5,553	156	1,442	(1,032)	6,119	421	554	57	1,032
Consumer durables	5,553	127	323	(220)	5,783	156	83	(19)	220
Construction	2,983	58	770	(281)	3,530	69	257	(45)	281
Trading companies & distributors	687	281	405	(247)	1,126	274	125	(152)	247
Government	3,020	-	-	-	3,020	-	-	-	-
Other	3,258	93	241	(154)	3,438	68	112	(26)	154
Retail Products:									
Mortgage	5,341	274	85	(58)	5,642	60	1	(3)	58
CCPL and other unsecured lending	3,353	230	26	(6)	3,603	18	134	(146)	6
Auto	344	16	-	-	360	-	4	(4)	-
Secured wealth products	9,110	14	309	-	9,433	8	-	(8)	-
Other	1,694	44	14	(4)	1,748	15	4	(15)	4
Loans and advances to customers	114,917	2,536	9,702	(4,251)	122,904				
Individual impairment provision						1,861	3,225	(835)	4,251
Portfolio impairment provision					(276)	359	(75)	(8)	276
Total					122,628	2,220	3,150	(843)	4,527
Loans and advances to banks	42,073	208	43	(3)	42,321	-	-	-	-
Individual impairment provision						22	8	(27)	3
Portfolio impairment provision					(1)	1	-	-	1
Total					42,320	23	8	(27)	4

Standard Chartered Bank

Risk and Capital review continued

Credit quality analysis continued

By Industry

Company						Movements in impairment			
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Total	Individual impairment provision held as at 1 Jan 2014	Net impairment charge/(recovery)	Amounts written off/Other movements	Individual impairment provision held as at 31 Dec 2014
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Industry:									
Energy	23,983	266	416	(133)	24,532	98	38	(3)	133
Manufacturing	12,057	240	685	(73)	12,909	47	38	(12)	73
Financing, insurance and non-banking	16,303	23	957	(128)	17,155	256	11	(139)	128
Transport, telecom and utilities	12,102	224	402	(172)	12,556	233	7	(68)	172
Food and household products	8,730	196	352	(264)	9,014	214	95	(45)	264
Commercial real estate	6,388	24	2	(2)	6,412	2	-	-	2
Mining and quarrying	7,032	105	1,034	(421)	7,750	127	323	(29)	421
Consumer durables	5,554	87	278	(156)	5,763	150	19	(13)	156
Construction	3,587	261	433	(69)	4,212	52	27	(10)	69
Trading companies & distributors	1,698	36	418	(274)	1,878	255	33	(14)	274
Government	1,256	-	-	-	1,256	-	-	-	-
Other	3,184	335	206	(68)	3,657	41	31	(4)	68
Retail Products:									
Mortgage	5,429	229	94	(60)	5,692	67	(2)	(5)	60
CCPL and other unsecured lending	3,521	248	25	(18)	3,776	24	132	(138)	18
Auto	341	13	-	-	354	-	1	(1)	-
Secured wealth products	11,032	50	7	(8)	11,081	8	-	-	8
Other	2,444	134	15	(15)	2,578	8	5	2	15
Loans and advances to customers	124,641	2,471	5,324	(1,861)	130,575				
Individual impairment provision						1,582	758	(479)	1,861
Portfolio impairment provision					(359)	270	96	(7)	359
Total					130,216	1,852	854	(486)	2,220
Loans and advances to banks	52,254	30	38	(22)	52,300	-	-	-	-
Individual impairment provision						22	1	(1)	22
Portfolio impairment provision					(1)	1	-	-	1
Total					52,299	23	1	(1)	23

Standard Chartered Bank

Risk and Capital review continued

Credit quality by geographic region

Loans and advances to customers

The following tables set out an analysis of the loans to customers and banks between those loans that are neither past due nor impaired, those that are past due but not impaired, those that are impaired, the impairment provision and net impairment charge by geographic region. The tables are based on financial booking location rather than country of credit responsibility.

2015									
Group	Balance sheet ¹						Profit and loss		
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Portfolio impairment provision	Total	Net individual impairment provision	Portfolio impairment provision/ (release)	Net loan impairment charge ²
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	75,213	469	1,000	(433)	(169)	76,080	585	74	659
North East Asia	28,174	443	380	(288)	(69)	28,640	236	(1)	235
South Asia	12,074	584	1,589	(1,032)	(50)	13,165	719	(4)	715
ASEAN	63,194	1,267	1,869	(749)	(158)	65,423	772	(26)	746
MENAP	14,543	577	2,047	(1,333)	(56)	15,778	505	(22)	483
Africa	5,798	637	635	(308)	(43)	6,719	243	3	246
Americas	10,335	29	63	(50)	(8)	10,369	49	-	49
Europe	41,234	758	5,043	(1,830)	(104)	45,101	1,621	(27)	1,594
	250,565	4,764	12,626	(6,023)	(657)	261,275	4,730	(3)	4,727

2014									
Group	Balance sheet ¹						Profit and loss		
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Portfolio impairment provision	Total	Net individual impairment provision	Portfolio impairment provision/ (release)	Net loan impairment charge ²
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	86,315	754	847	(366)	(98)	87,452	496	(25)	471
North East Asia	28,989	562	428	(288)	(75)	29,616	423	(34)	389
South Asia	13,129	754	1,135	(450)	(56)	14,512	149	5	154
ASEAN	74,059	1,859	1,137	(450)	(201)	76,404	477	54	531
MENAP	16,683	544	2,204	(1,046)	(78)	18,307	96	(7)	89
Africa	7,785	260	478	(115)	(47)	8,361	74	(15)	59
Americas	10,924	3	37	-	(9)	10,955	(2)	3	1
Europe	41,317	590	1,631	(561)	(132)	42,845	379	57	436
	279,201	5,326	7,897	(3,276)	(696)	288,452	2,092	38	2,130

¹ Presented on the basis of booking location and not customer location

² Excludes impairment charges relating to debt securities classified as loans and receivables (refer to note 10 on page 190)

Standard Chartered Bank

Risk and Capital review continued

Loans and advances to customers continued

2015									
Company	Balance sheet ¹						Profit and loss		
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Portfolio impairment provision	Total	Net individual impairment provision	Portfolio impairment provision/(release)	Net loan impairment charge ²
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	646	-	3	(3)	-	646	(3)	(1)	(4)
North East Asia	1,082	-	-	-	(1)	1,081	(1)	(1)	(2)
South Asia	11,703	577	1,558	(1,021)	(49)	12,768	706	(4)	702
ASEAN	36,158	357	1,189	(402)	(62)	37,240	395	(21)	374
MENAP	13,555	551	1,818	(927)	(50)	14,947	451	(20)	431
Africa	587	267	34	(18)	(2)	868	5	1	6
Americas	10,335	29	63	(50)	(8)	10,369	49	-	49
Europe	40,851	755	5,037	(1,830)	(104)	44,709	1,623	(29)	1,594
	114,917	2,536	9,702	(4,251)	(276)	122,628	3,225	(75)	3,150

2014									
Company	Balance sheet ¹						Profit and loss		
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Portfolio impairment provision	Total	Net individual impairment provision	Portfolio impairment provision/(release)	Net loan impairment charge ²
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	802	-	17	(13)	(1)	805	-	(1)	(1)
North East Asia	1,017	-	-	(1)	(2)	1,014	-	2	2
South Asia	12,667	734	1,127	(448)	(54)	14,026	149	5	154
ASEAN	42,050	673	587	(201)	(91)	43,018	153	31	184
MENAP	15,450	472	1,943	(673)	(68)	17,124	76	(1)	75
Africa	976	1	52	(18)	(2)	1,009	6	-	6
Americas	10,924	3	37	-	(9)	10,955	(2)	3	1
Europe	40,755	588	1,561	(507)	(132)	42,265	376	57	433
	124,641	2,471	5,324	(1,861)	(359)	130,216	758	96	854

¹ Presented on the basis of booking location and not customer location

² Excludes impairment charges relating to debt securities classified as loans and receivables (refer to note 10 on page 190)

Standard Chartered Bank

Risk and Capital review continued

Loans and advances to banks

2015									
Group	Balance sheet ¹						Profit and loss		
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Portfolio impairment provision	Total	Net individual impairment provision	Portfolio impairment provision/ (release)	Net loan impairment charge
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	21,374	1	-	-	-	21,375	-	-	-
North East Asia	4,596	-	-	-	-	4,596	-	-	-
South Asia	512	3	-	-	-	515	-	-	-
ASEAN	7,760	18	160	(160)	(1)	7,777	82	(1)	81
MENAP	2,265	1	-	-	-	2,266	-	-	-
Africa	859	97	1	-	-	957	-	-	-
Americas	10,528	4	-	-	-	10,532	-	-	-
Europe	18,528	181	43	(3)	-	18,749	8	-	8
	66,422	305	204	(163)	(1)	66,767	90	(1)	89

2014									
Group	Balance sheet ¹						Profit and loss		
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Portfolio impairment provision	Total	Net individual impairment provision	Portfolio impairment provision/ (release)	Net loan impairment charge
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	28,757	1	-	-	-	28,758	3	-	3
North East Asia	5,997	-	-	-	-	5,997	-	-	-
South Asia	485	3	-	-	-	488	-	-	-
ASEAN	12,297	5	165	(78)	(1)	12,388	-	-	-
MENAP	1,604	-	-	-	(1)	1,603	-	-	-
Africa	930	10	-	-	-	940	-	-	-
Americas	12,641	20	-	-	-	12,661	-	-	-
Europe	24,640	4	37	(21)	-	24,660	1	-	1
	87,351	43	202	(99)	(2)	87,495	4	-	4

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Loans and advances to banks continued

2015									
Company	Balance sheet ¹						Profit and loss		
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Portfolio impairment provision	Total	Net individual impairment provision	Portfolio impairment provision/ (release)	Net loan impairment charge
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	500	-	-	-	-	500	-	-	-
North East Asia	2,772	-	-	-	-	2,772	-	-	-
South Asia	450	3	-	-	-	453	-	-	-
ASEAN	6,961	18	-	-	(1)	6,978	-	-	-
MENAP	2,108	1	-	-	-	2,109	-	-	-
Africa	310	1	-	-	-	311	-	-	-
Americas	10,471	4	-	-	-	10,475	-	-	-
Europe	18,501	181	43	(3)	-	18,722	8	-	8
	42,073	208	43	(3)	(1)	42,320	8	-	8

2014									
Company	Balance sheet ¹						Profit and loss		
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Individual impairment provision	Portfolio impairment provision	Total	Net individual impairment provision	Portfolio impairment provision/ (release)	Net loan impairment charge
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	223	(1)	-	-	-	222	-	-	-
North East Asia	1,159	-	-	-	-	1,159	-	-	-
South Asia	452	3	-	-	-	455	-	-	-
ASEAN	11,545	4	-	-	-	11,549	-	-	-
MENAP	1,539	-	-	-	(1)	1,538	-	-	-
Africa	112	-	-	-	-	112	-	-	-
Americas	12,603	20	-	-	-	12,623	-	-	-
Europe	24,621	4	38	(22)	-	24,641	1	-	1
	52,254	30	38	(22)	(1)	52,299	1	-	1

¹ Presented on the basis of booking location and not customer location

Standard Chartered Bank

Risk and Capital review continued

Problem credit management and provisioning

Non-performing loans by client segment

The table below presents a movement of the gross NPLs to banks and customers, together with the

provisions held, for all segments and the respective cover ratios

Group	2015				
	Corporate and Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million	Total \$million
Gross non-performing loans at 1 January	5,510	1,095	90	797	7,492
Exchange translation differences	(244)	(48)	(2)	(55)	(349)
Classified as non-performing during the year	6,128	601	394	561	7,684
Recoveries on loans and advances previously written off	-	-	-	5	5
Additions	6,128	601	394	566	7,689
Transferred to assets held for sale	-	-	-	-	-
Transferred to performing during the year	(32)	(7)	(6)	(59)	(104)
Net repayments	(456)	(131)	-	(144)	(731)
Amounts written off	(477)	(228)	(93)	(305)	(1,103)
Disposals of loans	(1)	(23)	(58)	(53)	(135)
Reductions	(966)	(389)	(157)	(561)	(2,073)
Gross non-performing loans at 31 December	10,428	1,259	325	747	12,759
Individual impairment provisions ¹	(5,098)	(748)	(3)	(279)	(6,128)
Net non-performing loans	5,330	511	322	468	6,631
Portfolio impairment provision	(228)	(112)	(2)	(316)	(658)
Total	5,102	399	320	152	5,973
Cover ratio	51%	68%	2%	80%	53%
Collateral (million)	1,547	298	322	258	2,425
Cover ratio (after collateral, excluding PIP)	64%	83%	100%	72%	67%

Of the above, included in liquidation portfolio

Gross non-performing loans at 31 December	7,210	-	302	-	7,512
Individual impairment provisions	(3,544)	-	-	-	(3,544)
Net non-performing loans	3,666	-	302	-	3,968
Portfolio impairment provision	-	-	-	-	-
Total	3,666	-	302	-	3,968
Cover ratio	49%	-	-	-	47%
Collateral (\$ million)	992	-	302	-	1,294
Cover ratio (after collateral, excluding PIP)	63%	-	100%	-	64%

¹ The difference to total individual impairment provision reflects provisions against performing forborne loans that are not included within non-performing loans as they have been performing 180 days

Standard Chartered Bank

Risk and Capital review continued

Non-performing loans by client segment continued

Group	2014				
	Corporate and Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million	Total \$million
Gross non-performing loans at 1 January	4,541	959	94	885	6,479
Exchange translation differences	(73)	(35)	(9)	(33)	(150)
Classified as non-performing during the year	1,981	469	28	606	3,084
Recoveries on loans and advances previously written off	32	-	-	2	34
Additions	2,013	469	28	608	3,118
Transferred to assets held for sale	(6)	(2)	-	(15)	(23)
Transferred to performing during the year	(232)	(30)	(17)	(142)	(421)
Net repayments	(230)	(155)	-	(124)	(509)
Amounts written off	(369)	(53)	-	(349)	(771)
Disposals of loans	(134)	(58)	(6)	(33)	(231)
Reductions	(971)	(298)	(23)	(663)	(1,955)
Gross non-performing loans at 31 December	5,510	1,095	90	797	7,492
Individual impairment provisions ¹	(2,230)	(523)	(58)	(400)	(3,211)
Net non-performing loans	3,280	572	32	397	4,281
Portfolio impairment provision	(330)	(39)	(2)	(327)	(698)
Total	2,950	533	30	70	3,583
Cover ratio	46%	51%	67%	91%	52%
Collateral (\$million)	809	253	40	360	1,462
Cover ratio (after collateral, excluding PIP)	55%	71%	nm ²	95%	62%

¹ The difference to total individual impairment provision reflects provisions against performing forbore loans that are not included within non-performing loans as they have been performing for 180 days

² Not meaningful

Standard Chartered Bank

Risk and Capital review continued

Non-performing loans by client segment continued

Company	2015				
	Corporate and Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million	Total \$million
Gross non-performing loans at 1 January	4,089	546	31	172	4,838
Exchange translation differences	(76)	(73)	(1)	(4)	(154)
Classified as non-performing during the year	5,465	143	301	52	5,961
Recoveries on loans and advances previously written off	-	-	-	-	-
Additions	5,465	143	301	52	5,961
Transferred to assets held for sale	-	-	-	-	-
Transferred to performing during the year	(21)	(7)	(6)	(11)	(45)
Net repayments	(319)	(23)	-	(11)	(353)
Amounts written off	(371)	(34)	-	(19)	(424)
Disposals of loans	(1)	(2)	-	(8)	(11)
Reductions	(712)	(66)	(6)	(49)	(833)
Gross non-performing loans at 31 December	8,766	550	325	171	9,812
Individual impairment provisions ¹	(3,828)	(355)	(3)	(68)	(4,254)
Net non-performing loans	4,938	195	322	103	5,558
Portfolio impairment provision	(137)	(61)	(2)	(77)	(277)
Total	4,801	134	320	26	5,281
Cover ratio	45%	76%	2%	85%	46%
Collateral (million)	1,252	80	322	79	1,733
Cover ratio (after collateral, excluding. PIP)	58%	79%	100%	86%	61%

Of the above, included in liquidation portfolio

Gross non-performing loans at 31 December	6,673	-	302	-	6,975
Individual impairment provisions	(3,135)	-	-	-	(3,135)
Net non-performing loans	3,538	-	302	-	3,840
Total	3,538	-	302	-	3,840
Cover ratio	47%	-	0%	-	45%
Collateral (\$ million)	964	-	302	-	1,266
Cover ratio (after collateral, excluding. PIP)	61%	-	100%	-	63%

¹ The difference to total individual impairment provision reflects provisions against performing forbore loans that are not included within non-performing loans as they have been performing for 180 days

Standard Chartered Bank

Risk and Capital review continued

Non-performing loans by client segment continued

	2014				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
Company	\$million	\$million	\$million	\$million	\$million
Gross non-performing loans at 1 January	3,413	500	28	167	4,108
Exchange translation differences	(64)	(5)	(1)	(2)	(72)
Classified as non-performing during the year	1,384	103	27	46	1,560
Recoveries on loans and advances previously written off	9	-	-	2	11
Additions	1,393	103	27	48	1,571
Transferred to assets held for sale	-	-	-	-	-
Transferred to performing during the year	(225)	(3)	(17)	(11)	(256)
Net repayments	(58)	(35)	-	(9)	(102)
Amounts written off	(296)	(14)	-	(16)	(326)
Disposals of loans	(74)	-	(6)	(5)	(85)
Reductions	(653)	(52)	(23)	(41)	(769)
Gross non-performing loans at 31 December	4,089	546	31	172	4,838
Individual impairment provisions ¹	(1,500)	(239)	(11)	(92)	(1,842)
Net non-performing loans	2,589	307	20	80	2,996
Portfolio impairment provision	(266)	(12)	(1)	(81)	(360)
Total	2,323	295	19	(1)	2,636
Cover ratio	43%	46%	39%	101%	46%
Collateral (\$million)	416	58	40	121	635
Cover ratio (after collateral, excluding PIP)	47%	54%	nm ²	nm ²	51%

¹ The difference to total individual impairment provision reflects provisions against performing forborne loans that are not included within non-performing loans as they have been performing for 180 days

² Not meaningful

Standard Chartered Bank

Risk and Capital review continued

Non-performing loans by geographic region

Gross NPLs increased by \$5,267 million, or 70 per cent, since 2014. These increases were primarily driven by a large exposure financially booked in

Europe and is part of the liquidation portfolio. The following tables set out the total NPLs to banks and customers on the basis of the geographic regions:

Group	2015								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Loans and advances									
Gross non-performing ¹	872	412	1,613	1,994	2,077	642	63	5,086	12,759
Individual impairment provision ²	(394)	(288)	(1,032)	(890)	(1,333)	(308)	(50)	(1,833)	(6,128)
Non-performing loans net of individual impairment provision	478	124	581	1,104	744	334	13	3,253	6,631
Portfolio impairment provision	(169)	(69)	(50)	(159)	(56)	(43)	(8)	(104)	(658)
Net non-performing loans and advances	309	55	531	945	688	291	5	3,149	5,973
Cover ratio	65%	87%	67%	53%	67%	55%	92%	38%	53%

Group	2014								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Loans and advances									
Gross non-performing ¹	668	448	1,159	1,396	1,643	478	37	1,663	7,492
Individual impairment provision ²	(321)	(288)	(450)	(519)	(936)	(115)	-	(582)	(3,211)
Non-performing loans net of individual impairment provision	347	160	709	877	707	363	37	1,081	4,281
Portfolio impairment provision	(98)	(75)	(56)	(202)	(79)	(47)	(9)	(132)	(698)
Net non-performing loans and advances	249	85	653	675	628	316	28	949	3,583
Cover ratio	63%	81%	44%	52%	62%	34%	24%	43%	52%

¹ The disclosures in the risk profile section are presented on the basis of booking location and not customer location

² The difference to total individual impairment provision reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days

Standard Chartered Bank

Risk and Capital review continued

Non-performing loans by geographic region continued

Company	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Loans and advances									
Gross non-performing ¹	3	-	1,581	1,205	1,845	34	63	5,081	9,812
Individual impairment provision ²	(3)	-	(1,021)	(402)	(927)	(18)	(50)	(1,833)	(4,254)
Non-performing loans net of individual impairment provision	-	-	560	803	918	16	13	3,248	5,558
Portfolio impairment provision	-	(1)	(49)	(63)	(50)	(2)	(8)	(104)	(277)
Net non-performing loans and advances	-	(1)	511	740	868	14	5	3,144	5,281
Cover ratio	100%	nm³	68%	39%	53%	59%	92%	38%	46%

Company	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Loans and advances									
Gross non-performing ¹	17	-	1,153	603	1,378	52	37	1,598	4,838
Individual impairment provision ²	(13)	(1)	(448)	(201)	(632)	(18)	-	(529)	(1,842)
Non-performing loans net of individual impairment provision	4	(1)	705	402	746	34	37	1,069	2,996
Portfolio impairment provision	(1)	(2)	(54)	(91)	(69)	(2)	(9)	(132)	(360)
Net non-performing loans and advances	3	(3)	651	311	677	32	28	937	2,636
Cover ratio	82%	nm³	44%	48%	51%	38%	24%	41%	46%

¹ The disclosures in the risk profile section are presented on the basis of booking location and not customer location

² The difference to total individual impairment provision reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days

³ Not meaningful

Standard Chartered Bank

Risk and Capital review continued

Individual and portfolio impairment provisions

The present value of estimated future cash flows, discounted at the asset's original effective interest rate is used to determine the amount of any impairment. In the case of restructured loans,

the effect and timing of the disposal strategy is included in the estimate of future cash flows.

The movement in IIPs is discussed below. PIPs charge decreased by \$42 million, largely in relation to Corporate & Institutional Clients.

Group	2015			2014		
	Individual impairment provisions \$million	Portfolio impairment provisions \$million	Total \$million	Individual impairment provisions \$million	Portfolio impairment provisions \$million	Total \$million
Provisions held at 1 January	3,375	698	4,073	2,849	698	3,547
Exchange translation differences	(214)	(36)	(250)	(61)	(21)	(82)
Amounts written off	(1,889)	-	(1,889)	(1,517)	-	(1,517)
Releases of acquisition fair values	(1)	-	(1)	(5)	-	(5)
Recoveries of amounts previously written off	181	-	181	217	-	217
Discount unwind	(107)	-	(107)	(100)	-	(100)
Transferred to assets held for sale	-	-	-	(104)	(17)	(121)
Disposal of business units	(14)	-	(14)	-	-	-
New provisions - restructuring	968	-	968	-	-	-
New provisions - excluding restructuring	4,174	229	4,403	-	-	-
New provisions	5,142	229	5,371	2,483	202	2,685
Recoveries/provisions no longer required	(322)	(233)	(555)	(387)	(164)	(551)
Net impairment charge against profit	4,820	(4)	4,816	2,096	38	2,134
Other movements ¹	35	-	35	-	-	-
Provisions held at 31 December	6,186	658	6,844	3,375	698	4,073

¹ Provision previously reported under Other impairment

Company	2015			2014		
	Individual impairment provisions \$million	Portfolio impairment provisions \$million	Total \$million	Individual impairment provisions \$million	Portfolio impairment provisions \$million	Total \$million
Provisions held at 1 January	1,883	360	2,243	1,604	271	1,875
Exchange translation differences	(118)	(8)	(126)	(37)	(7)	(44)
Amounts written off	(767)	-	(767)	(434)	-	(434)
Releases of acquisition fair values	-	-	-	-	-	-
Recoveries of amounts previously written off	49	-	49	47	-	47
Discount unwind	(66)	-	(66)	(56)	-	(56)
Transferred to assets held for sale	-	-	-	-	-	-
New provisions - restructuring	968	-	968	-	-	-
New provisions - excluding restructuring	2,363	80	2,443	-	-	-
New provisions	3,331	80	3,411	853	127	980
Recoveries/provisions no longer required	(98)	(155)	(253)	(94)	(31)	(125)
Net impairment charge against profit	3,233	(75)	3,158	759	96	855
Other movements ¹	40	-	40	-	-	-
Provisions held at 31 December	4,254	277	4,531	1,883	360	2,243

¹ Provision previously reported under Other impairment

Standard Chartered Bank

Risk and Capital review continued

Impairment provisions continued

By geographic region

The table below sets out the movement in total impairment provisions by geography

Group	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Provisions held at 1 January	464	363	506	730	1,125	162	9	714	4,073
Exchange translation differences	(18)	(23)	(41)	(67)	(11)	(32)	-	(58)	(250)
Amounts written off	(520)	(214)	(82)	(484)	(208)	(32)	(1)	(348)	(1,889)
Releases of acquisition fair values	-	-	-	-	(1)	-	-	-	(1)
Recoveries of amounts previously written off	48	7	18	78	19	9	1	1	181
Discount unwind	(17)	(6)	(34)	(16)	(18)	(2)	-	(14)	(107)
Transferred to assets held for sale	-	-	-	-	-	-	-	-	-
Disposal of business units	(14)	-	-	-	-	-	-	-	(14)
New provisions - restructuring	-	-	33	32	19	-	-	884	968
New provisions - excluding restructuring	648	270	715	935	535	261	50	760	4,174
Individual impairment provision	648	270	748	967	554	261	50	1,644	5,142
Portfolio impairment provision	100	13	8	43	6	9	-	50	229
New provisions	748	283	756	1,010	560	270	50	1,694	5,371
Recoveries/provisions no longer required	(89)	(48)	(41)	(183)	(77)	(24)	(1)	(92)	(555)
Net impairment charge against profit	659	235	715	827	483	246	49	1,602	4,816
Other movements ¹	-	(5)	-	-	-	-	-	40	35
Provisions held at 31 December	602	357	1,082	1,068	1,389	351	58	1,937	6,844

¹ Provision previously reported under Other Impairment

Group	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Provisions held at 1 January	341	429	440	593	1,205	158	11	370	3,547
Exchange translation differences	(6)	(13)	(10)	(11)	4	(15)	-	(31)	(82)
Amounts written off	(362)	(370)	(64)	(448)	(165)	(45)	(5)	(58)	(1,517)
Releases of acquisition fair values	(4)	-	-	-	(1)	-	-	-	(5)
Recoveries of amounts previously written off	59	26	17	80	26	7	2	-	217
Discount unwind	(15)	(9)	(31)	(15)	(24)	(2)	-	(4)	(100)
Transferred to assets held for sale	(23)	(89)	-	-	(9)	-	-	-	(121)
New provisions	593	512	198	691	155	90	3	443	2,685
Individual impairment provision	572	509	182	599	149	88	-	384	2,483
Portfolio impairment provision	21	3	16	92	6	2	3	59	202
Recoveries/provisions no longer required	(119)	(123)	(44)	(160)	(66)	(31)	(2)	(6)	(551)
Net impairment charge against profit	474	389	154	531	89	59	1	437	2,134
Provisions held at 31 December	464	363	506	730	1,125	162	9	714	4,073

Standard Chartered Bank

Risk and Capital review continued

Impairment provisions continued

By geographic region

The tables below set out the movement in total impairment provisions by geography

Company	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Provisions held at 1 January	14	3	502	292	742	20	9	661	2,243
Exchange translation differences	(1)	-	(40)	(22)	(3)	(6)	(1)	(53)	(126)
Amounts written off	(7)	-	(79)	(185)	(195)	-	-	(301)	(767)
Releases of acquisition fair values	-	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	1	-	18	12	17	-	1	-	49
Discount unwind	-	-	(33)	(6)	(15)	-	-	(12)	(66)
New provisions - restructuring	-	-	33	32	19	-	-	884	968
New provisions - excluding restructuring	-	-	700	374	473	6	50	760	2,363
Individual impairment provision	-	-	733	406	492	6	50	1,644	3,331
Portfolio impairment provision	1	-	8	14	6	1	-	50	80
New provisions	1	-	741	420	498	7	50	1,694	3,411
Recoveries/provisions no longer required	(5)	(2)	(39)	(46)	(67)	(1)	(1)	(92)	(253)
Net impairment charge against profit	(4)	(2)	702	374	431	6	49	1,602	3,158
Other movements ¹	-	-	-	-	-	-	-	40	40
Provisions held at 31 December	3	1	1,070	465	977	20	58	1,937	4,531

¹ Provision previously reported under other impairment

Company	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Provisions held at 1 January	15	1	435	254	817	16	11	326	1,875
Exchange translation differences	-	-	(10)	3	(5)	(2)	-	(30)	(44)
Amounts written off	-	-	(64)	(150)	(150)	-	(5)	(65)	(434)
Releases of acquisition fair values	-	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	17	5	23	-	2	-	47
Discount unwind	-	-	(30)	(4)	(18)	-	-	(4)	(56)
Transferred to assets held for sale	-	-	-	-	-	-	-	-	-
New provisions	2	2	198	208	121	6	3	440	980
Individual impairment provision	-	-	182	165	117	6	-	383	853
Portfolio impairment provision	2	2	16	43	4	-	3	57	127
Recoveries/provisions no longer required	(3)	-	(44)	(24)	(46)	-	(2)	(6)	(125)
Net impairment charge against profit	(1)	2	154	184	75	6	1	434	855
Provisions held at 31 December	14	3	502	292	742	20	9	661	2,243

Standard Chartered Bank

Risk and Capital review continued

Individually impaired loans by client segment

Gross impaired loans remains stable in Retail Clients compared to 2014, at \$0.8 billion. Corporate & Institutional Clients gross individually impaired loans increased by \$4.3 billion, or 71 per cent since 2014 primarily in Europe as a result of the migration of an interconnected group of exposures within the liquidation portfolio from CG12.

The amounts written off primarily relate to Retail Clients, which generate a higher level of write-offs as unsecured lending balances are written off once they are more than 150 days past due.

The following table shows movement in individually impaired loans and provisions for each client segment:

Group	2015				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
	\$million	\$million	\$million	\$million	\$million
Gross impaired loans at 1 January	6,094	1,068	91	846	8,099
Exchange translation differences	(243)	(42)	(2)	(40)	(327)
Transfer to assets held for sale	-	-	-	-	-
Classified as individually impaired during the year	5,899	589	394	382	7,264
Transferred to not impaired during the year	(391)	(6)	(6)	(43)	(446)
Other movements ¹	(931)	(363)	(152)	(314)	(1,760)
Gross impaired loans at 31 December	10,428	1,246	325	831	12,830
Provisions held at 1 January	2,335	523	59	458	3,375
Exchange translation differences	(85)	(79)	(3)	(47)	(214)
Amounts written off	(670)	(198)	(146)	(875)	(1,889)
Releases of acquisition fair values	(1)	-	-	-	(1)
Recoveries of amounts previously written off	5	1	-	175	181
Discount unwind	(64)	(18)	-	(25)	(107)
Transferred to assets held for sale	-	-	-	-	-
Disposal of business units	-	-	-	(14)	(14)
New provisions	3,591	544	93	914	5,142
Recoveries/provisions no longer required	(48)	(25)	-	(249)	(322)
Net individual impairment charge against profit	3,543	519	93	665	4,820
Other movements ²	35	-	-	-	35
Individual impairment provisions held at 31 December	5,098	748	3	337	6,186
Net individually impaired loans	5,330	498	322	494	6,644

¹ Other movement in Gross impaired loan includes repayments, amounts written off and disposals of loans

² Other movement in provision include provision previously reported under other impairment

Standard Chartered Bank

Risk and Capital review continued

Problem credit management and provisioning continued

Group	2014				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
	\$million	\$million	\$million	\$million	\$million
Gross impaired loans at 1 January	5,018	963	93	898	6,972
Exchange translation differences	(63)	(41)	(8)	(40)	(152)
Transfer to assets held for sale	(6)	(2)	-	(15)	(23)
Classified as individually impaired during the year	2,215	469	28	656	3,368
Transferred to not impaired during the year	(234)	(30)	(17)	(133)	(414)
Other movements ¹	(836)	(291)	(5)	(520)	(1,652)
Gross impaired loans at 31 December	6,094	1,068	91	846	8,099
Provisions held at 1 January	1,927	422	52	448	2,849
Exchange translation differences	(44)	(5)	-	(12)	(61)
Amounts written off	(417)	(97)	7	(1,010)	(1,517)
Releases of acquisition fair values	(4)	(1)	-	-	(5)
Recoveries of amounts previously written off	-	2	-	215	217
Discount unwind	(58)	(16)	-	(26)	(100)
Transferred to assets held for sale	(1)	-	-	(103)	(104)
New provisions	955	251	-	1,277	2,483
Recoveries/provisions no longer required	(23)	(33)	-	(331)	(387)
Net individual impairment charge against profit	932	218	-	946	2,096
Individual impairment provisions held at 31 December	2,335	523	59	458	3,375
Net individually impaired loans	3,759	545	32	388	4,724

¹ Other movement includes repayments, amounts written off and disposals of loans

Company	2015				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
	\$million	\$million	\$million	\$million	\$million
Gross impaired loans at 1 January	4,678	543	32	109	5,362
Exchange translation differences	(131)	(16)	(1)	(2)	(150)
Transfer to assets held for sale	-	-	-	-	-
Classified as individually impaired during the year	5,238	136	303	21	5,698
Transferred to not impaired during the year	(381)	(6)	(6)	(3)	(396)
Other movements ¹	(638)	(112)	(3)	(16)	(769)
Gross impaired loans at 31 December	8,766	545	325	109	9,745
Provisions held at 1 January	1,541	241	12	89	1,883
Exchange translation differences	(52)	(56)	-	(10)	(118)
Amounts written off	(524)	(33)	(9)	(201)	(767)
Releases of acquisition fair values	-	-	-	-	-
Recoveries of amounts previously written off	4	-	-	45	49
Discount unwind	(53)	(12)	-	(1)	(66)
Transferred to assets held for sale	-	-	-	-	-
New provisions	2,898	226	-	207	3,331
Recoveries/provisions no longer required	(26)	(8)	-	(64)	(98)
Net individual impairment charge against profit	2,872	218	-	143	3,233
Other movements ²	40	-	-	-	40
Individual impairment provisions held at 31 December	3,828	358	3	65	4,254
Net individually impaired loans	4,938	187	322	44	5,491

¹ Other movement in Gross impaired loans includes repayments, amounts written off and disposals of loans

² Other movement in provision include provision previously reported under other impairment

Standard Chartered Bank

Risk and Capital review continued

Problem credit management and provisioning continued

Company	2014				
	Corporate and Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million	Total \$million
Gross impaired loans at 1 January	3,913	503	27	117	4,560
Exchange translation differences	(63)	(5)	(1)	(2)	(71)
Transfer to assets held for sale	-	-	-	-	-
Classified as individually impaired during the year	1,612	102	28	44	1,786
Transferred to not impaired during the year	(230)	(3)	(17)	(10)	(260)
Other movements ¹	(554)	(54)	(5)	(40)	(653)
Gross impaired loans at 31 December	4,678	543	32	109	5,362
Provisions held at 1 January	1,292	205	12	95	1,604
Exchange translation differences	(31)	(3)	-	(3)	(37)
Amounts written off	(227)	(23)	-	(184)	(434)
Releases of acquisition fair values	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	47	47
Discount unwind	(45)	(9)	-	(2)	(56)
Transferred to assets held for sale	-	-	-	-	-
New provisions	569	77	-	207	853
Recoveries/provisions no longer required	(17)	(6)	-	(71)	(94)
Net individual impairment charge against profit	552	71	-	136	759
Individual impairment provisions held at 31 December	1,541	241	12	89	1,883
Net individually impaired loans	3,137	302	20	20	3,479

¹ Other movement includes repayments, amounts written off and disposals of loans.

Standard Chartered Bank

Risk and Capital review continued

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

Group	2015			2014		
	Debt securities \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Treasury bills \$million	Total \$million
Net impaired securities:						
Impaired securities	395	-	395	409 ¹	-	409
Impairment	(283)	-	(283)	(314)	-	(314)
	112	-	112	95	-	95
Securities neither past due nor impaired:						
AAA	28,996	15,778	44,774	31,549	5,569	37,118
AA- to AA+	30,688	12,930	43,618	23,131	13,621	36,752
A- to A+	10,590	451	11,041	19,489	640	20,129
BBB- to BBB+	9,389	1,962	11,351	10,158 ¹	3,393	13,551
Lower than BBB-	3,106	1,578	4,684	3,423	2,097	5,520
Unrated	10,947	613	11,560	7,702 ¹	581	8,283
	93,716	33,312	127,028	95,452	25,901	121,353
	93,828	33,312	127,140	95,547	25,901	121,448
Of which:						
Assets at fair value						
Trading	12,896	859	13,755	17,735	1,720	19,455
Designated at fair value	389	-	389	-	92	92
Available-for-sale	77,684	32,453	110,137	74,937	24,073	99,010
	90,969	33,312	124,281	92,672	25,885	118,557
Assets at amortised cost						
Loans and receivables	2,649	-	2,649	2,753	-	2,753
Held-to-maturity	210	-	210	122	16	138
	2,859	-	2,859	2,875	16	2,891
	93,828	33,312	127,140	95,547	25,901	121,448

¹ Balances have been restated

Standard Chartered Bank

Risk and Capital review continued

Debt securities and treasury bills continued

Debt securities and treasury bills are analysed as follows:

Company	2015			2014		
	Debt securities \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Treasury bills \$million	Total \$million
Net impaired securities:						
Impaired securities	111	-	111	167	-	167
Impairment	(90)	-	(90)	(165)	-	(165)
	21	-	21	2	-	2
Securities neither past due nor impaired:						
AAA	23,075	13,321	36,396	26,059	3,915	29,974
AA- to AA+	8,851	118	8,969	5,388	761	6,149
A- to A+	2,949	60	3,009	5,024	-	5,024
BBB- to BBB+	6,146	1,263	7,409	6,482	2,654	9,136
Lower than BBB-	2,083	188	2,271	2,625	475	3,100
Unrated	10,141	412	10,553	5,624	409	6,033
	53,245	15,362	68,607	51,202	8,214	59,416
	53,266	15,362	68,628	51,204	8,214	59,418
Of which:						
Assets at fair value						
Trading	7,690	240	7,930	10,439	769	11,208
Available-for-sale	44,055	15,122	59,177	39,722	7,429	47,151
	51,745	15,362	67,107	50,161	8,198	58,359
Assets at amortised cost						
Loans and receivables	1,311	-	1,311	921	-	921
Held-to-maturity	210	-	210	122	16	138
	1,521	-	1,521	1,043	16	1,059
	53,266	15,362	68,628	51,204	8,214	59,418

The above table analyses debt securities and treasury bills that are neither past due nor impaired by external credit rating. The standard credit ratings used by the Group are those used by Standard & Poor's or its equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating, as described under credit rating and measurement on page 139.

Net impaired debt securities decreased during the year, primarily due to debt securities disposal in Europe and a decrease of a corporate bond exposure in India.

Debt securities in the AA- to AA+ rating category increased by \$7.6 billion to \$30.7 billion in December 2015, mainly driven by a switch from cash into high-yield, high-quality liquid assets in Europe.

Unrated securities primarily relate to corporate issuers. Using internal credit ratings, \$9,629 million (2014: \$7,908 million) of these securities is considered to be equivalent to investment grade.

Standard Chartered Bank

Risk and Capital review continued

Asset backed securities-Group

Total exposures to asset backed securities

	2015				2014			
	Percentage of notional value of portfolio	Notional \$million	Carrying value \$million	Fair value ¹ \$million	Percentage of notional value of portfolio	Notional \$million	Carrying value \$million	Fair value \$million
Residential Mortgage Backed Securities (RMBS)	39%	2,988	2,983	2,980	39%	4,002	4,007	4,004
Collateralised Debt Obligations (CDOs)	0%	35	15	13	1%	82	54	54
Commercial Mortgage Backed Securities (CMBS)	1%	75	37	36	4%	390	325	318
Other Asset Backed Securities (Other ABS) ²	60%	4,710	4,698	4,698	56%	5,796	5,795	5,795
	100%	7,808	7,733	7,727	100%	10,270	10,181	10,171
Of which included within:								
Financial assets held at fair value through profit or loss	1%	96	97	97	3%	286	282	282
Investment securities - available-for-sale	84%	6,551	6,480	6,480	84%	8,624	8,548	8,548
Investment securities - loans and receivables	15%	1,161	1,156	1,150	13%	1,360	1,351	1,341
	100%	7,808	7,733	7,727	100%	10,270	10,181	10,171

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

² Other Assets Backed Securities includes Auto Loans, Credit cards, Student Loans, Future Flows, trade receivables

The carrying value of asset backed securities (ABS) represents 1 per cent (2014: 1 per cent) of our total assets.

The Group has extended its investment to a limited amount of trading in ABS and ramped up a portfolio of high quality ABS for liquidity reasons. This is classified as available-for-sale and primarily related to prime residential mortgage backed security and consumer ABS (Auto Loans and Credit Cards) with an average credit grade of AAA.

The Group also has an existing portfolio of ABS which it reclassified from trading and available-for-sale to loans and receivables with effect from 1 July 2008. No assets have been reclassified since 2008. This portfolio has been gradually managed down

since 2010. The carrying value and fair value for this part of the portfolio were \$100 million and \$99 million respectively as at 31 December 2015 (31 December 2014: \$316 million and \$334 million respectively).

Note 15 on page 223 to the financial statements provides details of the remaining balance of those assets reclassified in 2008.

The credit quality of the ABS portfolio remains strong, with 98 per cent of the overall portfolio rated A- or better, and over 91 per cent of the overall portfolio is rated as AAA. The portfolio is broadly diversified across asset classes and geographies, with an average credit grade of AA+.

Financial statement impact of asset backed securities

	Available for-sale \$million	Loan and Receivables \$million	Total \$million
2015			
Credit to available-for-sale reserves	(19)	-	(19)
Credit to the profit and loss account	17	5	22
2014			
Charge to available-for-sale reserves	22	-	22
Credit to the profit and loss account	-	-	-

Standard Chartered Bank

Risk and Capital review continued

Selected European country exposures

The following tables summarise the Group's direct exposure (both on- and off-balance sheet) to certain specific countries within the eurozone that have been identified on the basis of their higher bond yields, higher sovereign debt to GDP ratio and external credit ratings compared with the rest of the eurozone.

Total gross exposure represents the amount outstanding on the balance sheet (including any accrued interest, but before provisions) and positive mark-to-market amounts on derivatives before netting. To the extent gross exposure does not represent the maximum exposure to loss, this is disclosed separately. Exposures are assigned to a country based on the country of incorporation of the counterparty as at 31 December 2015.

The Group has no direct sovereign exposure (as defined by the European Banking Authority) to the eurozone countries of Greece, Ireland, Italy, Portugal and Spain (GIIPS) and only \$1.7 billion direct sovereign exposure to other eurozone countries. The Group's non-sovereign exposure to GIIPS is \$3.4 billion (\$1.5 billion after collateral and netting) and \$41 billion (\$24.2 billion after collateral and netting) to the remainder of the eurozone. This exposure primarily consists of balances with banks.

The substantial majority of the Group's total gross GIIPS exposure has a tenor of less than five years, with approximately 80 per cent having a tenor of less than one year. The Group has no direct sovereign exposure and \$91 million (2014: \$120 million) of non-sovereign exposure (after collateral and netting) to Cyprus.

The exit of one or more countries from the eurozone, or ultimately its dissolution, could potentially lead to significant market dislocation, the extent of which is difficult to predict. Any such exit or dissolution, and the redenomination of formerly euro-denominated rights and obligations in replacement national currencies, would cause significant uncertainty in any exiting country, whether sovereign or otherwise. Such events are also likely to be accompanied by the imposition of capital, exchange and similar controls. We monitor the situation closely and have prepared contingency plans to respond to a range of potential scenarios, including the possibility of currency redenomination. Local assets and liability positions are carefully monitored by in-country asset and liability and risk committees with appropriate oversight at the Group level by the Group Asset and Liability Committee and the Group Risk Committee.

Group	Greece \$million	Ireland \$million	Italy \$million	Portugal \$million	Spain \$million	Total \$million
As at 31 December 2015						
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	-	460	-	329	789
Other financial institutions	-	1,895	2	-	15	1,912
Other corporate	6	304	272	-	128	710
Total gross exposure	6	2,199	734	-	472	3,411
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	-	(31)	-	(290)	(321)
Other financial institutions	-	(1,434)	-	-	-	(1,434)
Other corporate	-	(54)	(13)	-	(102)	(169)
Total collateral/netting	-	(1,488)	(44)	-	(392)	(1,924)
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	-	429	-	39	468
Other financial institutions	-	461	2	-	15	478
Other corporate	6	250	259	-	26	541
Total net exposure at 31 December 2015	6	711	690	-	80	1,487
Total net exposure at 31 December 2014	6	262	446	-	327	1,041

Standard Chartered Bank

Risk and Capital review continued

Selected European country exposures continued

Company	Greece \$million	Ireland \$million	Italy \$million	Portugal \$million	Spain \$million	Total \$million
As at 31 December 2015						
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	-	460	-	329	789
Other financial institutions	-	1,895	2	-	15	1,912
Other corporate	6	304	272	-	115	697
Total gross exposure	6	2,199	734	-	459	3,398
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	-	(31)	-	(290)	(321)
Other financial institutions	-	(1,434)	-	-	-	(1,434)
Other corporate	-	(54)	(13)	-	(91)	(158)
Total collateral/netting	-	(1,488)	(44)	-	(381)	(1,913)
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	-	429	-	39	468
Other financial institutions	-	461	2	-	15	478
Other corporate	6	250	259	-	24	539
Total net exposure at 31 December 2015	6	711	690	-	78	1,485
Total net exposure at 31 December 2014	6	74	263	-	279	622

Standard Chartered Bank

Risk and Capital review continued

Selected European country exposures continued

The Group's exposure to GIIPS at 31 December 2015 is analysed by financial asset as follows:

Group	2015					
	Greece \$million	Ireland \$million	Italy \$million	Portugal \$million	Spain \$million	Total \$million
As at 31 December 2015						
Loans and advances						
Loans and receivables	-	1,670	284	-	142	2,096
Held at fair value through profit or loss	-	-	-	-	-	-
Total gross loans and advances	-	1,670	284	-	142	2,096
Collateral held against loans and advances	-	(1,266)	(2)	-	(123)	(1,391)
Total net loans and advances	-	404	282	-	19	705
Debt securities						
Designated at fair value	-	-	-	-	15	15
Available-for-sale	-	55	-	-	-	55
Loans and receivables	-	-	-	-	-	-
Total gross debt securities	-	55	-	-	15	70
Collateral held against debt securities	-	-	-	-	-	-
Total net debt securities	-	55	-	-	15	70
Derivatives						
Gross exposure	-	473	30	-	278	781
Collateral/netting ¹	-	(221)	(28)	-	(268)	(517)
Total derivatives	-	252	2	-	10	264
Contingent liabilities and commitments	6	-	406	-	36	448
Total net exposure (on and off balance sheet)¹	6	711	690	-	80	1,487
Total balance sheet exposure	-	2,198	314	-	435	2,947

As at 31 December 2014

Net loans and advances	-	159	26	-	85 ²	270 ²
Net debt securities	-	100	-	-	37	137
Net derivatives	-	3	10	-	-	13
Contingent liabilities and commitments	6	-	410	-	205 ²	621 ²
Total net exposure (on and off balance sheet)¹	6	262	446	-	327 ²	1,041 ²

¹ Based on ISDA (International Swaps and Derivatives Association) netting

² Balances have been restated

Standard Chartered Bank

Risk and Capital review continued

Selected European country exposures continued

The Company's exposure to GIIPS at 31 December 2015 is analysed by financial asset as follows:

Company As at 31 December 2015	2015					Total \$million
	Greece \$million	Ireland \$million	Italy \$million	Portugal \$million	Spain \$million	
Loans and advances						
Loans and receivables	-	1,670	284	-	130	2,084
Held at fair value through profit or loss	-	-	-	-	-	-
Total gross loans and advances	-	1,670	284	-	130	2,084
Collateral held against loans and advances	-	(1,266)	(2)	-	(113)	(1,381)
Total net loans and advances	-	404	282	-	17	703
Debt securities						
Trading	-	-	-	-	-	-
Designated at fair value	-	-	-	-	15	15
Available-for-sale	-	55	-	-	-	55
Loans and receivables	-	-	-	-	-	-
Total gross debt securities	-	55	-	-	15	70
Collateral held against debt securities	-	-	-	-	-	-
Total net debt securities	-	55	-	-	15	70
Derivatives						
Gross exposure	-	473	30	-	278	781
Collateral/netting ¹	-	(221)	(28)	-	(268)	(517)
Total derivatives	-	252	2	-	10	264
Contingent liabilities and commitments	6	-	406	-	36	448
Total net exposure (on and off balance sheet)¹	6	711	690	-	78	1,485
Total balance sheet exposure	-	2,198	314	-	423	2,935

As at 31 December 2014

Net loans and advances	-	21	24	-	82	127
Net debt securities	-	50	-	-	5	55
Net derivatives	-	3	10	-	-	13
Contingent liabilities and commitments	6	-	229	-	192	427
Total net exposure (on and off balance sheet)¹	6	74	263	-	279	622

¹ Based on ISDA (International Swaps and Derivatives Association) netting

Standard Chartered Bank

Risk and Capital review continued

Other selected eurozone countries

A summary analysis of the Group's exposure to France, Germany, the Netherlands and Luxembourg is also provided, as these countries are considered to have significant sovereign debt exposure to GIIPS.

Group	France \$million	Germany \$million	Netherlands \$million	Luxembourg \$million	Total \$million
Direct sovereign exposure	188	994	-	-	1,182
Banks	2,461	9,644	2,012	508	14,625
Other financial institutions	180	542	1,343	1,016	3,081
Other corporate	631	303	355	2,953	4,242
Total net exposure at 31 December 2015	3,460	11,483	3,710	4,477	23,130
Total net exposure at 31 December 2014	3,572	5,096	5,852	3,157	17,677

Company	France \$million	Germany \$million	Netherlands \$million	Luxembourg \$million	Total \$million
Direct sovereign exposure	188	994	-	-	1,182
Banks	2,461	9,644	2,012	508	14,625
Other financial institutions	180	542	1,343	1,016	3,081
Other corporate	631	303	355	2,953	4,242
Total net exposure at 31 December 2015	3,460	11,483	3,710	4,477	23,130
Total net exposure at 31 December 2014	2,474	4,598	4,466	2,878	14,416

The Group's lending to these selected eurozone countries primarily takes the form of repurchase agreements, interbank loans and bonds. The substantial majority of the Group's total gross exposures to these selected countries have a tenor of less than three years, with over 64 per cent having a tenor of less than one year.

The Group's exposure in Germany is primarily with the Central Bank. Other than all these specifically identified countries, the Group's residual net exposure to the eurozone is \$2.7 billion, which primarily comprises bonds and export-structured financing to banks and corporates.

Standard Chartered Bank

Risk and Capital review continued

Country cross-border risk- Group (unaudited)

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

See further details of our approach to managing country cross-border risk on page 142.

The profile of our country cross-border exposures as at 31 December 2015 remained consistent with our strategic focus on core franchise countries, and with the scale of the larger markets in which we operate. Changes in the pace of economic activity, weaker commodity prices, and portfolio management activity had an impact on the growth of cross-border exposure for certain territories.

Cross-border exposure to China remains predominantly short-term (71 per cent of such exposure had a tenor of less than 12-months), with exposure declining throughout 2015 in response to actions taken to ensure the most efficient use of the Group's approved risk appetite and the moderation in economic conditions in China. Efforts to diversify the deployment of excess liquidity within the region also contributed to the decrease in short-term cross-border exposure to China.

Country cross-border risk exposure to Hong Kong and Singapore declined during 2015. Factors contributing to the decrease in exposure to these countries included a slowing in trade finance flows across the Group's core markets, the impact of softer commodity prices on both the utilisation of limits and demand for facilities by customers with a dependence on commodities, and the moderation in economic activity across Greater China and the ASEAN region.

The overall size of cross-border exposure to India reflects the size of the Group's franchise in the country, and the facilitation of overseas investment and trade flows supported by parent companies in India. Short-term cross-border exposure to India declined during 2015 in response to the slowing in global trade finance flows. Portfolio management action, and a slowing in the origination of new business due to underlying economic conditions, contributed to the decline in medium-term

(tenor greater than 12-months) cross-border exposure to India throughout 2015.

Increased interbank placements of foreign currency drove a rise in short-term cross-border exposure to Korea during the second half of 2015.

Cross-border exposure to the UAE declined during 2015 due to slowing trade finance flows and business activity across the Middle East, given the prolonged weakness in oil prices. Portfolio management activity to reduce exposure to specific customer segments and clients also contributed to the reported decline in cross-border exposure to the UAE.

Cross-border exposure to Indonesia decreased during 2015, reflecting soft commodity prices and weaker economic growth rates in Indonesia. The country cross-border exposure to Indonesia arising from Permata, a joint venture in which the Group holds 44.56 per cent, is counted at the value of the Group's equity in the joint venture.

The reported decrease in overall cross-border exposure to Nigeria reflected the prolonged weakness in commodity prices, and a deterioration in economic conditions. Cross-border exposure arising from short dated commitments declined during 2015, with the depreciation in the naira resulting in customers increasingly replacing facilities denominated in foreign currency with facilities denominated in naira. The exposure to Nigeria arising from commitments with a tenor greater than 12-months declined as a result of a strategic focus on shorter dated transactions, and the successful syndication and distribution of term facilities.

Cross-border exposure to developed countries in which we do not have a major presence predominantly relates to short-dated money market treasury activities, which can change significantly from period to period. Exposure also represents global corporate business for customers with interests in our footprint. This is a key factor explaining the significant cross-border exposure to the US and Japan.

The table below, which is based on our internal cross-border country risk reporting requirements, shows cross-border exposures that exceed 1 per cent of total assets.

Group	2015			2014		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	\$million	\$million	\$million	\$million	\$million	\$million
China	25,999	10,626	36,625	42,098	14,790	56,888
US	18,091	14,378	32,469	26,406	10,672	37,078
Hong Kong	15,767	7,340	23,107	22,104	8,684	30,788
Singapore	16,805	4,379	21,184	21,422	5,930	27,352
India	6,711	12,747	19,458	8,551	15,015	23,566
Korea	10,933	7,684	18,617	9,581	8,216	17,797
United Arab Emirates	5,756	8,562	14,318	6,955	8,752	15,707
Indonesia	2,843	4,001	6,844	4,172	4,058	8,230
Japan	1,746	5,265	7,011	2,602	3,566	6,168
Nigeria	3,625	3,215	6,840	4,543	3,301	7,844

Risk and Capital review continued

Market risk

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Group's exposure to market risk arises predominantly from providing clients access to financial markets, facilitation of which entails the Group taking moderate market risk positions. All trading teams support client activity; there are no proprietary trading teams. Hence, income earned from market risk-related activities is primarily driven by the volume of client activity rather than risk-taking. Market risk also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high-quality liquid debt securities and from the translation of non-US dollar denominated assets, liabilities and earnings.

A summary of our current policies and practices regarding market risk management is provided in Risk management approach on page 143.

The primary categories of market risk for the Group are:

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

Market risk changes

Market risk value at risk (VaR) changes - Group

The average level of value at risk (VaR) in 2015 was slightly lower than in 2014, by 4 per cent. This decline was due to reductions in both average Equity VaR by 23 per cent as listed Private Equity positions were reduced, and average trading book interest rate VaR by 25 per cent as positions declined. Otherwise, for the other risk classes, average VaR levels rose in 2015 with heightened market volatility due to uncertainty about the Chinese economy and the timing of anticipated US interest rate rises.

The actual levels of total VaR as at 31 December were 36 per cent higher in 2015 than in 2014, reflecting increased levels of VaR in all categories except Equities. The main driver for the rise was non-trading book interest rate risk which rose by 68 per cent due to increased market volatility in 2015. Equities VaR was lower by 33 per cent due to reduced positions in both listed Private Equity and on the trading book. As of 1 January 2016, a desk has been mandated to actively hedge the market and credit exposures arising from the recognition of CVA. Having made the change at the year end, CVA and related hedging will be included in VaR in 2016.

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Risk and Capital review continued

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

Group	2015				2014			
	Average \$million	High ¹ \$million	Low ¹ \$million	Actual ² \$million	Average \$million	High ¹ \$million	Low ¹ \$million	Actual ² \$million
Trading and Non-trading								
Interest rate risk ³	26.9	35.5	18.9	30.7	25.8	36.8	19.0	22.0
Foreign exchange risk	4.9	9.0	2.3	4.8	3.6	6.7	2.2	4.7
Commodity risk	1.6	2.6	0.7	1.6	1.4	2.9	0.7	0.7
Equity risk	13.7	18.2	9.7	11.0	17.9	20.0	15.1	16.4
Total ⁴	32.9	45.9	24.4	36.1	34.4	47.4	25.2	26.5

Trading ⁵	2015				2014			
	Average \$million	High ¹ \$million	Low ¹ \$million	Actual ² \$million	Average \$million	High ¹ \$million	Low ¹ \$million	Actual ² \$million
Interest rate risk ³	7.0	8.8	5.3	6.4	9.3	21.3	5.7	5.7
Foreign exchange risk	4.9	9.0	2.3	4.8	3.6	6.7	2.2	4.7
Commodity risk	1.6	2.6	0.7	1.6	1.4	2.9	0.7	0.7
Equity risk	1.7	2.8	0.7	0.8	1.6	2.4	1.3	2.0
Total ⁴	9.9	13.2	6.8	9.7	10.6	20.8	7.1	7.6

Non-trading	2015				2014			
	Average \$million	High ¹ \$million	Low ¹ \$million	Actual ² \$million	Average \$million	High ¹ \$million	Low ¹ \$million	Actual ² \$million
Interest rate risk ³	24.1	34.6	15.6	30.3	20.9	27.4	14.6	18.0
Equity risk	12.9	17.9	9.2	10.4	17.2	19.1	15.5	16.1
Total ⁴	29.6	37.8	23.2	31.4	30.1	39.0	17.3	25.1

¹ Highest and lowest VaR for each risk factor are independent and usually occur on different days

² Actual one day VaR at year end date

³ Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale

⁴ The total VaR shown in the tables above is not a sum of the component risks due to offsets between them

⁵ Trading book for market risk is defined in accordance with the EU Capital Requirements Regulation (CRDIV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book. This regulatory definition is narrower than the accounting definition of the trading book within IAS39 'Financial Instruments: Recognition and Measurement'

Standard Chartered Bank

Risk and Capital review continued

The following table sets out how trading and non-trading VaR is distributed across the Group's products:

Group	2015				2014			
	Average \$million	High ¹ \$million	Low ¹ \$million	Actual ² \$million	Average \$million	High ¹ \$million	Low ¹ \$million	Actual ² \$million
Trading and Non-trading	32.9	45.9	24.4	36.1	34.4	47.4	25.2	26.5
Trading³								
Rates	5.5	7.0	3.5	5.1	6.3	13.7	3.7	3.9
Global Foreign Exchange	4.9	9.0	2.3	4.8	3.6	6.7	2.2	4.7
Credit Trading & Capital Markets	2.7	4.3	1.9	2.4	3.9	8.2	2.8	2.8
Commodities	1.6	2.6	0.7	1.6	1.4	2.9	0.7	0.7
Equities	1.7	2.8	0.7	0.8	1.6	2.4	1.3	2.0
Total ⁴	9.9	13.2	6.8	9.7	10.6	20.8	7.1	7.6
Non-trading								
Asset & Liability Management	24.1	34.6	15.6	30.3	20.6	26.6	14.5	17.7
Other Financial Markets non-trading book	0.6	2.2	0.1	0.3	1.2	1.5	0.9	1.3
Listed private equity	12.9	17.9	9.2	10.4	17.2	19.1	15.5	16.1
Total ⁴	29.6	37.8	23.2	31.4	30.1	39.0	17.3	25.1

¹ Highest and lowest VaR for each risk factor are independent and usually occur on different days

² Actual one day VaR at year end date

³ Trading book for market risk is defined in accordance with the EU Capital Requirements Regulation (CRDIV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book. This regulatory definition is narrower than the accounting definition of the trading book within IAS39 'Financial Instruments: Recognition and Measurement'

⁴ The total VaR shown in the tables above is not a sum of the component risks due to offsets between them

Standard Chartered Bank

Risk and Capital review continued

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

Company	2015	2014
Trading ¹ and Non-trading	\$million	\$million
Interest rate risk ²	23.5	15.9
Foreign exchange risk	4.1	4.3
Commodity risk	1.8	0.8
Equity risk	11	16.4
Total ³	29.4	25.3
Trading ¹		
Interest rate risk ²	9.3	5
Foreign exchange risk	4.1	4.3
Commodity risk	18	0.8
Equity risk	0.8	1.8
Total ³	7.5	7.7
Non-Trading		
Interest rate risk ²	23.3	14.2
Equity risk	10.4	16.6
Total ³	31	24.5

¹ Trading book for market risk is defined in accordance with the EU Capital Requirements Regulation (CRDIV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book. This regulatory definition is narrower than the accounting definition of the trading book within IAS39 'Financial Instruments: Recognition and Measurement'

² Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale

³ The total VaR shown in the tables above is not a sum of the component risks due to offsets between them

Standard Chartered Bank

Risk and Capital review continued

Risks not in value at risk (unaudited)

The main market risk that is not reflected in VaR is the currency risk where the exchange rate is currently pegged or managed. The VaR historical one-year observation period does not reflect the future possibility of a change in the currency regime such as sudden depegging. Additional capital is set aside to cover this 'risk not in VaR'. For further details on market risk capital see the Standard Chartered PLC Pillar 3 Disclosures 2015 section on market risk.

Backtesting (unaudited)

Regulatory backtesting is applied at both Group and Solo levels. In 2015, negative exceptions due to exceptional market volatility occurred on two days: two at Group level (one in 2014) and one at Solo level (three in 2014).

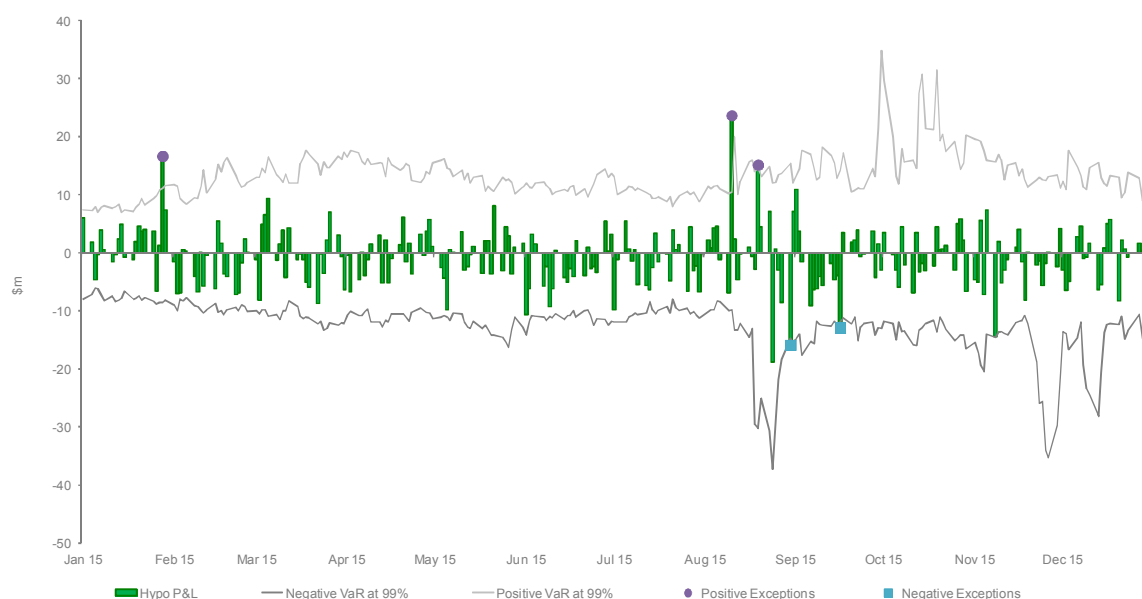
These occasions were due to market reaction or anticipation of central bank action in China and the US:

- 31 August: the People's Bank of China fixed the renminbi sharply stronger and Premier Li Keqiang signalled support for the renminbi
- 17 September: Uncertainty in Asian markets ahead of the US Federal Open Market Committee meeting

Two exceptions in a year due to market events are within the 'green zone' applied internationally to internal models by bank supervisors (Basel Committee on Banking Supervision: 'Supervisory framework for the use of 'backtesting' in conjunction with the internal models approach to market risk capital requirements', January 1996).

The graph below illustrates the performance of the VaR model used in capital calculations. It compares the 99 percentile loss confidence level given by the VaR model with the hypothetical P&L of each day given the actual market movement without taking into account any intraday trading activity.

2015 backtesting chart for Internal Model Approach regulatory trading book at Group level with hypothetical profit and loss (P&L) versus VaR (99 per cent, one day)



Standard Chartered Bank

Risk and Capital review continued

Financial Markets loss days

	2015	2014
Number of loss days reported for Financial Markets trading book total product income ¹	5	2

¹ Reflects total product income for Financial Markets excluding ALM business (non-trading) and periodic valuation changes for Capital Markets, expected loss provisions and OIS discounting

Average daily income earned from market risk related activities¹

	2015	2014
Trading - Group	\$million	\$million
Interest rate risk	1.8	3.9
Foreign exchange risk	5.2	5.1
Commodity risk	1.0	1.4
Equity risk	0.3	0.6
Total	8.3	11.0

Non-Trading - Group

Interest rate risk	2.1	3.2
Equity risk	0.4	0.1
Total	2.5	3.3

¹ Reflects total product income which is the sum of Client Income and Own Account Income. Includes elements of Trading Income, Interest Income and Other Income which are generated from market risk related activities

Mapping of market risk items to the balance sheet (unaudited)

Market risk contributes only 5.9 per cent of the Group's regulatory capital risk-weighted asset (RWA) requirement (see RWA table on page 151). As highlighted in the VaR disclosure, the majority of market risk is managed within

Financial Markets which spans both trading book and non-trading book. The non-trading equity market risk is generated by listed Private Equity holdings within Principal Finance. Group Treasury manages the market risk associated with debt and equity capital issuance.

Group	Amounts as per financial statements \$million	Exposure to trading risk \$million	Exposure to non-trading risk \$million	Market risk type
Financial Assets				
Derivative financial instruments	64,587	62,294	2,293	Interest rate, foreign exchange, commodity or equity risk
Loans and advances to banks	66,767	14,475	52,292	Interest rate or foreign exchange risk
Loans and advances to customers	261,275	18,080	243,195	Interest rate or foreign exchange risk
Debt securities	93,828	13,248	80,580	Interest rate mainly, but also foreign exchange or equity risk
Treasury bills	33,312	858	32,454	Interest rate or foreign exchange risk
Equities	4,328	2,236	2,092	Equities risk mainly, but also interest or foreign exchange risk
Other Assets	34,496	4,109	30,387	Interest rate, foreign exchange, commodity or equity risk
Total	558,593	115,300	443,293	
Financial Liabilities				
Deposits by banks	38,163	-	38,163	Interest rate or foreign exchange risk
Customer accounts	359,127	-	359,127	Interest rate or foreign exchange risk
Debt securities in issue	51,504	-	51,504	Interest rate mainly, but also foreign exchange or equity risk
Derivatives financial instruments	62,586	61,136	1,450	Interest rate, foreign exchange, commodity or equity risk
Short positions	2,824	2,813	11	Interest rate, foreign exchange, commodity or equity risk
Total	514,204	63,949	450,255	

Standard Chartered Bank

Risk and Capital review continued

Group Treasury market risk

Group Treasury raises debt and equity capital and the proceeds are invested within the Group as capital or placed with ALM. Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt

issuance and placements. This risk is measured as the impact on net interest income (NII) of an unexpected and instantaneous adverse parallel shift in rates and is monitored over a rolling one-year time horizon (see table below).

Group Treasury net interest income sensitivity to parallel shifts in yield curves

	2015	2015	2014	2014
	\$million	\$million	\$million	\$million
By currency	+25bp	-25bp	+25bp	-25bp
Hong Kong dollar	11.4	-11.4	10.4	-10.4
Singapore dollar	2.0	-2.0	1.5	-1.5
Indian rupee	4.4	-4.4	3.4	-3.4
US dollar	9.9	-9.9	2.1	-2.1
Other currencies	19.0	-19.0	21.5	-21.5
Total	46.7	-46.7	38.9	-38.9

NII sensitivity has increased following the Group's rights issue in December 2015 which has increased free funds.

Structural foreign exchange exposures

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

	2015	2014
	\$million	\$million
Hong Kong dollar	6,973	7,708 ¹
Korean won	2,448	4,782
Indian rupee	4,434	4,425
Taiwanese dollar	2,143	2,755
Renminbi	3,577	3,586
Singapore dollar	2,654	2,768
Thai baht	1,332	1,608
UAE dirham	1,647	1,757
Malaysian ringgit	1,291	1,578
Indonesian rupiah	944	1,185
Pakistani rupee	588	594
Other	3,535	3,948
	31,616	36,694 ¹

¹ Balances have been restated

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Risk and Capital review continued

As at 31 December 2015, the Group had taken net investment hedges (using a combination of derivative and non-derivative financial investments) of \$1,339 million (2014: \$1,097 million) to partly cover its exposure to the Korean won. An analysis has been performed on these exposures to assess the impact of a 1 per cent fall in the dollar exchange rates, adjusted to incorporate the impacts of correlations of these currencies to the dollar. The impact on the positions above would be an increase of \$228 million (2014: \$265 million). Changes in the valuation of these positions are taken to reserves.

Derivatives

Derivatives are contracts with characteristics and value derived from underlying financial instruments, interest and exchange rates or indices. They include futures, forwards, swaps and options transactions. See further details in Risk management approach on page 136.

Hedging

The notional value of interest rate swaps for the purpose of fair value hedging decreased by \$0.1 billion as at 31 December 2015, compared to 31 December 2014. Fair value hedges largely hedge the interest rate risk on our sub-debt and debt securities in the UK, which form part of the Group's liquidity buffers and are used to manage fixed-rate securities and loan portfolios in our key markets. Currency and interest rate swaps used for cash flow hedging have decreased by \$4.6 billion as at 31 December 2015, compared to 31 December 2014. The decrease of cash flow hedges is attributable to floating rate loans, bonds and deposits, mainly in Korea and Singapore.

Liquidity risk

Liquidity risk is the risk that the Group does not have enough financial resources to meet its obligations as they fall due without incurring excessive cost. The Group's liquidity framework requires each country to operate on a standalone basis without implicit reliance on Group support or recourse to extraordinary central bank support.

In order to achieve this, the Group applies a series of metrics with the objective of ensuring it can withstand a severe liquidity stress. In order to ensure the framework remains current and adapts to changing markets, business models or regulation, it is constantly re-evaluated.

In 2015, the Group updated its liquidity stress testing framework by requiring the Group to maintain a positive stressed net cash inflow after 60 days under a prescribed Group stress scenario.

The European adoption of the Basel Committee framework metric known as the liquidity coverage ratio (LCR) under the Capital Requirements Regulation and Directive (CRD IV) became a prudential requirement on 1 October 2015. This also constituted a material change to our previous prudential liquidity framework under the Prudential Regulation Authority (PRA), which previously applied the Individual Liquidity Adequacy Standards under the PRA's Prudential Sourcebook for Banks, Building Societies and Investment Firms 12.

Due to these changes to our liquidity framework, the Group looked to improve its overall funding profile and optimised its position throughout 2015 by actively

pricing away deposits with low liquidity value under the new LCR regime.

The Group continued to maintain good access to wholesale markets. Conditions in the bank wholesale debt markets were generally positive in 2015. In 2015, the Group issued \$3.1 billion of term debt securities, of which \$1.1 billion of senior debt and \$2 billion of Additional Tier 1 (AT1) securities (2014: \$5.2 billion, of which \$1.5 billion was senior debt and \$3.7 billion was Tier 2 subordinated debt).

Primary sources of funding

A substantial portion of our assets are funded by customer deposits. Wholesale funding is diversified by type and maturity and represents a stable source of funds for the Group.

We maintain access to wholesale funding markets in all major financial centres and countries in which we operate. This seeks to ensure that we have market intelligence, maintain stable funding lines and can obtain optimal pricing when we perform our interest rate risk management activities.

Debt refinancing levels are low. In the next 12 months approximately \$2.1 billion of the Group's senior debt securities are falling due for repayment either contractually or callable by the Group.

Further details of the Group's senior and subordinated debt by geography are provided in note 30 in the Financial statements and notes on page 257.

The chart below shows the composition of liabilities in which customer deposits make up 56 per cent of total liabilities as at 31 December 2015, the majority of which are current accounts, savings accounts and Time Deposits. Our largest customer deposit base by geography is Greater China (in particular Hong Kong), which holds 37 per cent of Group customer accounts

	2015	2014
Group's composition of Liabilities	%	%
Customer accounts	56.1	57.2
Deposits by banks	6.0	7.6
Derivative financial instruments	9.8	8.9
Other liabilities	9.4	8.0
Debt securities in issue	8.1	8.6
Subordinated liabilities and other borrowed funds	3.2	3.0
Total equity	7.4	6.7
Total	100.0	100.0

	2015	2014
Geographic distribution of customer accounts	%	%
Greater China	36.6	36.6
North East Asia	8.7	7.9
South Asia	4.0	3.7
ASEAN	20.6	22.6
MENAP	6.1	5.4
Africa	3.0	2.7
Americas	5.0	8.1
Europe	16.0	13.0
Total	100.0	100.0

Standard Chartered Bank

Risk and Capital review continued

Liquidity metrics

We monitor key liquidity metrics on a regular basis, both on a country basis and in aggregate across the Group. In addition to the metrics listed here, we also monitor other risk metrics, which are covered in Risk management approach on page 136.

Stressed Coverage Ratios

The Group intends to maintain a prudent and sustainable funding and liquidity position, in all presence countries and currencies, such that it can withstand severe liquidity stress:

- Across major presence countries, the Group intends to be able to meet its payment and collateral obligations for at least 60 days in a combined name-specific and market-wide liquidity stress, without recourse to extraordinary central bank support
- In smaller presence countries, each operating entity should be able to meet its payment and collateral obligations for at least 60 days in the event of a systemic market-wide stress in that country, without implicit reliance on Group support, or recourse to extraordinary central bank support

The market-wide liquidity stress scenario applied to each smaller presence country assumes differentiated mitigating management actions for countries with local systemic importance versus other countries.

Liquidity Coverage Ratio (LCR) (unaudited)

The Group monitors and reports its liquidity position against the CRD IV LCR and has actively looked to continue to strengthen its liquidity position above the regulatory requirement. As at 31 December 2015, the Group LCR was well above 100 per cent. The net stable funding ratio is still evolving regulation and is not a prudential requirement until 2018.

Advances-to-deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advances-to-deposits ratio demonstrates that customer deposits exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers. Customer Deposits tend to be more stable than wholesale funding and a core portion of these deposits is likely to remain with the bank for the medium term.

	2015	2014
	\$million	\$million
Loans and advances to customers ¹	261,275	288,452
Customer accounts	359,127	414,189
Advances to deposits ratio	72.8%	69.6%

¹See note 19 to the financial statements on page 236

Liquid asset ratio (LAR)

The liquid asset ratio (LAR) is a monitoring tool that looks at the proportion of the Group's total assets held in liquid assets, on a consolidated currency basis.

Liquid assets are the total cash (less restricted balances), treasury bills, loans and advances to banks (less deposits by banks) and debt securities (less illiquid securities).

Illiquid securities are debt securities that cannot be sold or exchanged easily for cash without substantial loss in value amounting to \$1,210 million (2014: \$492 million).

The Group keeps sufficient liquid assets to survive a number of severe stress scenarios, both internal and regulatory.

The Group LAR (30.9 per cent) decreased from the previous year (32.3 per cent), reflecting a decrease in liquid assets held mainly in the Americas, ASEAN and Europe.

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Risk and Capital review continued

The following table sets an analysis of the Group's liquid assets by geographic region:

2015									
Group	Greater China \$ million	North East Asia \$ million	South Asia \$ million	ASEAN \$ million	MENAP \$ million	Africa \$ million	Americas \$ million	Europe \$ million	Total \$million
Cash and balances at central banks	9,239	8,333	781	3,759	2,026	2,045	18,970	20,159	65,312
Restricted balances	(2,417)	(1,691)	(458)	(2,053)	(1,271)	(823)	(359)	(40)	(9,112)
Loans and advances to banks - net of non-performing loans	21,375	4,596	515	7,777	2,266	956	10,532	18,709	66,726
Deposits by banks	(4,635)	(3,678)	(351)	(4,892)	(2,342)	(387)	(10,967)	(10,911)	(38,163)
Treasury bills	8,693	4,210	1,184	4,703	1,125	2,183	4,595	6,619	33,312
Debt securities	31,686	3,863	4,754	12,289	5,605	2,049	4,336	29,246	93,828
of which :									
Issued by governments	17,235	2,318	4,253	4,803	4,400	932	52	9,343	43,336
Issued by banks	8,775	167	49	3,955	601	129	2,016	11,923	27,615
Issued by corporate and other entities	5,676	1,378	452	3,531	604	988	2,268	7,980	22,877
Illiquid securities and Other Assets	(599)	(61)	(274)	(40)	-	-	(4,063)	(9,180)	(14,217)
Liquid assets	63,342	15,572	6,151	21,543	7,409	6,023	23,044	54,602	197,686
Total assets	166,818	57,511	23,875	110,074	29,583	15,539	52,450	183,942	639,792
Liquid assets to total asset ratio (%)	38.0%	27.1%	25.8%	19.6%	25.0%	38.8%	43.9%	29.7%	30.9%

2014									
Group	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Cash and balances at central banks	9,017	5,278	808	4,182	2,239	1,682	42,257	31,819	97,282
Restricted balances	(3,339)	(919)	(486)	(2,098)	(1,602)	(710)	(877)	(42)	(10,073)
Loans and advances to banks - net of non-performing loans	28,758	5,997	488	12,301	1,603	940	12,661	24,644	87,392
Deposits by banks	(5,200)	(4,202)	(338)	(7,283)	(2,374)	(687)	(16,496)	(18,653)	(55,233)
Treasury bills	7,689	5,320	1,864	4,540	954	2,723	2,059	752	25,901
Debt securities	30,928	5,357	4,292	16,280	5,024	2,539	5,124	26,003	95,547
of which :									
Issued by governments	13,992	4,412	3,651	6,859	4,315	1,001	367	3,438	38,035
Issued by banks	10,495	185	163	4,088	272	430	3,823	14,149	33,605
Issued by corporate and other entities	6,441	760	478	5,333	437	1,108	934	8,416	23,907
Illiquid securities and Other Assets	(127) ¹	(18)	(747)	(453) ¹	(5)	-	(1,689)	(3,777) ¹	(6,816)
Liquid assets	67,726	16,813	5,881	27,469	5,839	6,487	43,039	60,746	234,000
Total assets	185,802	66,092	26,179	134,282	31,380	18,004	79,085	182,939	723,763
Liquid assets to total asset ratio (%)	36.5%	25.4%	22.5%	20.5%	18.6%	36.0%	54.4%	33.2%¹	32.3%¹

¹ Balance have been restated

Standard Chartered Bank

Risk and Capital review continued

The following table sets an analysis of the Company's liquid assets by geographic region:

2015									
Company	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Cash and balances at central banks	37	6,387	682	1,924	1,753	42	18,932	20,159	49,916
Restricted balances	(6)	-	(436)	(1,329)	(1,062)	(42)	(359)	(40)	(3,274)
Loans and advances to banks - net of non-performing loans	500	2,772	453	6,978	2,109	311	10,475	18,682	42,280
Deposits by banks	-	(2,885)	(349)	(4,405)	(2,097)	(71)	(10,967)	(10,911)	(31,685)
Treasury bills	9	-	1,130	2,289	461	259	4,595	6,619	15,362
Debt securities	-	871	4,754	8,077	4,136	228	4,267	30,933	53,266
of which :									
Issued by governments	-	871	4,253	2,484	2,932	103	-	9,342	19,985
Issued by banks	-	-	49	3,001	601	125	1,998	11,923	17,697
Issued by corporate and other entities	-	-	452	2,592	603	-	2,269	9,668	15,584
Illiquid securities and Other Assets	-	-	(274)	(40)	-	-	(4,063)	(9,180)	(13,557)
Liquid assets	540	7,145	5,960	13,494	5,300	727	22,880	56,262	112,308
Total assets	1,772	12,537	23,566	77,390	29,941	2,499	62,014	195,226	404,945
Liquid assets to total asset ratio (%)	30.5%	57.0%	25.3%	17.4%	17.7%	29.1%	36.9%	28.8%	27.7%

2014									
Company	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Cash and balances at central banks	43	3,895	737	1,981	2,038	57	42,214	31,763	82,728
Restricted balances	(4)	-	(467)	(1,112)	(1,446)	(57)	(877)	(42)	(4,005)
Loans and advances to banks - net of non-performing loans	222	1,159	455	11,549	1,538	112	12,623	24,625	52,283
Deposits by banks	-	(2,415)	(338)	(5,621)	(2,218)	(302)	(16,496)	(18,651)	(46,041)
Treasury bills	9	-	1,839	2,551	363	641	2,059	752	8,214
Debt securities	-	864	4,292	9,673	3,747	478	4,768	27,382	51,204
of which :									
Issued by governments	-	864	3,651	2,623	3,040	53	18	3,439	13,688
Issued by banks	-	-	163	3,116	272	425	3,813	14,149	21,938
Issued by corporate and other entities	-	-	478	3,934	435	-	937	9,794	15,578
Illiquid securities and Other Assets	-	-	(747)	(453) ¹	-	-	(1,689)	(3,777) ¹	(6,666)
Liquid assets	270	3,503	5,771	18,568	4,022	929	42,602	62,052	137,717
Total assets	1,957	9,954	25,976	107,782	33,955	2,822	84,661	186,822¹	453,929¹
Liquid assets to total asset ratio (%)	13.8%	35.2%	22.2%	17.2%¹	11.8%	32.9%	50.3%	33.2%¹	30.3%¹

¹ Balance have been restated

Standard Chartered Bank

Risk and Capital review continued

Encumbered assets (unaudited)

Encumbered assets represent those on-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities. Hong Kong government certificates of indebtedness, which secure the equivalent amount of Hong Kong currency notes in circulation, and

cash collateral pledged against derivatives are included within other assets.

The following table provides a reconciliation of the Group's encumbered assets to total assets.

2015								
Group	Assets encumbered as a result of transactions with counterparties other than banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)				
	As a result of securitisations	Other	Total	Assets not positioned at the central bank				Total assets
				Assets positioned at the central bank (ie pre-positioned plus encumbered)	Readily available for encumbrance	Other assets that are capable of being encumbered	Cannot be encumbered	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Cash and balances at central banks	-	-	-	9,112	56,200	-	-	65,312
Derivative financial instruments	-	-	-	-	-	-	64,587	64,587
Loans and advances to banks ¹	-	-	-	-	31,121	-	35,646	66,767
Loans and advances to customers ¹	76	-	76	-	-	-	261,199	261,199
Investment securities ¹	-	2,147	2,147	230	95,539	22,425	11,127	129,321
Other assets	-	18,337	18,337	-	-	-	16,159	16,159
Current tax assets	-	-	-	-	-	-	388	388
Prepayments and accrued income	-	-	-	-	-	-	2,174	2,174
Interests in associates and joint ventures	-	-	-	-	-	-	1,929	1,929
Goodwill and intangible assets	-	-	-	-	-	-	4,217	4,217
Property, plant and equipment	-	-	-	-	-	-	6,120	6,120
Deferred tax assets	-	-	-	-	-	-	1,059	1,059
Total	76	20,484	20,560	9,342	182,860	22,425	404,605	619,232

Standard Chartered Bank

Risk and Capital review continued

Encumbered assets (unaudited) continued

2014								
Group	Assets encumbered as a result of transactions with counterparties other than banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)				
	As a result of securitisations	Other	Total	Assets not positioned at the central bank				Total assets
				Assets positioned at the central bank (ie pre-positioned plus encumbered)	Readily available for encumbrance	Other assets that are capable of being encumbered	Cannot be encumbered	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Cash and balances at central banks	-	-	-	10,073	87,209	-	-	97,282
Derivative financial instruments	-	-	-	-	-	-	66,317	66,317
Loans and advances to banks ¹	-	-	-	-	38,108	-	49,387	87,495
Loans and advances to customers ¹	27 ²	-	27	-	-	-	288,425 ²	288,425
Investment securities ¹	-	4,323	4,323	1,142	81,869	24,278	17,202	124,491
Other assets	-	15,049	15,049	-	-	-	23,476	23,476
Current tax assets	-	-	-	-	-	-	362	362
Prepayments and accrued income	-	-	-	-	-	-	2,620	2,620
Interests in associates and joint ventures	-	-	-	-	-	-	1,954	1,954
Goodwill and intangible assets	-	-	-	-	-	-	4,782	4,782
Property, plant and equipment	-	-	-	-	-	-	6,615	6,615
Deferred tax assets	-	-	-	-	-	-	545	545
Total	27	19,372	19,399	11,215	207,186	24,278	461,685	704,364

2015								
Company	Assets encumbered as a result of transactions with counterparties other than banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)				
	As a result of securitisations	Other	Total	Assets not positioned at the central bank				Total assets
				Assets positioned at the central bank (ie pre-positioned plus encumbered)	Readily available for encumbrance	Other assets that are capable of being encumbered	Cannot be encumbered	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Cash and balances at central banks	-	-	-	3,274	46,642	-	-	49,916
Derivative financial instruments	-	-	-	-	-	-	62,814	62,814
Loans and advances to banks ¹	-	-	-	-	17,748	-	24,572	42,320
Loans and advances to customers ¹	17	-	17	-	-	-	122,611	122,611
Investment securities ¹	-	678	678	230	60,949	6,988	2,387	70,554
Other assets	-	13,006	13,006	-	-	-	11,273	11,273
Due from Subsidiary undertakings and other related parties	-	-	-	-	-	-	14,599	14,599
Current tax assets	-	-	-	-	-	-	46	46
Prepayments and accrued income	-	-	-	-	-	-	1,103	1,103
Interests in associates and joint ventures	-	-	-	-	-	-	13,704	13,704
Goodwill and intangible assets	-	-	-	-	-	-	1,115	1,115
Property, plant and equipment	-	-	-	-	-	-	436	436
Deferred tax assets	-	-	-	-	-	-	753	753
Total	17	13,684	13,701	3,504	125,339	6,988	255,413	391,244

Standard Chartered Bank

Risk and Capital review continued

Encumbered assets (unaudited) continued

2014								
Company	Assets encumbered as a result of transactions with counterparties other than banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)				
	As a result of securitisations	Other	Total	Assets not positioned at the central bank				Total assets
				Assets positioned at the central bank (ie pre-positioned plus encumbered)	Readily available for encumbrance	Other assets that are capable of being encumbered	Cannot be encumbered	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Cash and balances at central banks	-	-	-	4,005	78,723	-	-	82,728
Derivative financial instruments	-	-	-	-	-	-	63,465	63,465
Loans and advances to banks ¹	-	-	-	-	18,393	-	33,906	52,299
Loans and advances to customers ¹	27 ²	-	27	-	-	-	130,189 ²	130,189
Investment securities ¹	-	1,864	1,864	1,132	51,736	3,904	5,680	62,452
Other assets	-	10,010	10,010	-	-	-	14,757	14,757
Due from Subsidiary undertakings and other related parties	-	-	-	-	-	-	19,349	19,349
Current tax assets	-	-	-	-	-	-	69	69
Prepayments and accrued income	-	-	-	-	-	-	1,308	1,308
Interests in associates and joint ventures	-	-	-	-	-	-	13,551	13,551
Goodwill and intangible assets	-	-	-	-	-	-	1,020	1,020
Property, plant and equipment	-	-	-	-	-	-	474	474
Deferred tax assets	-	-	-	-	-	-	367	367
Total	27	11,874	11,901	5,137	148,852	3,904	284,135	442,028

¹ Includes assets held at fair value through profit or loss.

² Balance have been restated

In addition to the above, the Group received \$52,841 million (2014: \$27,910 million) as collateral under reverse repo agreements that was eligible for repledging; of this the Group sold or repledged \$22,185 million (2014: \$14,326 million) under repo agreements.

Readily available to for encumbrance (unaudited)

Readily available for encumbrance includes unencumbered assets that can be sold outright or under repo within a few days, in line with regulatory definitions. The Group's readily available assets comprise cash and balances at central banks, loans and advances to banks, and investment securities.

Assets classified as not readily available to for encumbrance include:

- Assets that have no restrictions for funding and collateral purposes, such as loans and advances to customers, which are not acquired or originated with the intent of generating liquidity value
- Assets that cannot be encumbered, such as derivatives, goodwill and intangible and deferred tax assets

Standard Chartered Bank

Risk and Capital review continued

Liquidity analysis of the Group's balance sheet

Contractual maturity of assets and liabilities

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

Within the tables below, cash and balances with central banks, interbank placements, treasury bills and investment securities that are available-for-sale are used by the Group principally for liquidity management purposes.

Contractual maturity

Group	2015								Total \$million
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	
Assets									
Cash and balances at central banks	56,200	-	-	-	-	-	-	9,112	65,312
Derivative financial instruments	6,654	7,957	6,926	5,413	4,152	9,136	14,181	10,168	64,587
Loans and advances to banks ¹	31,208	16,628	9,179	3,648	2,494	1,982	1,590	38	66,767
Loans and advances to customers ¹	70,254	23,863	16,642	10,046	9,039	18,474	38,043	74,914	261,275
Investment securities	7,226	14,706	15,874	10,078	7,095	19,359	40,959	16,171	131,468
Other assets	21,263	5,198	2,433	82	208	102	231	20,866	50,383
Total assets	192,805	68,352	51,054	29,267	22,988	49,053	95,004	131,269	639,792
Liabilities									
Deposits by banks ¹	32,008	2,606	1,623	867	70	414	369	206	38,163
Customer accounts ¹	283,048	33,939	20,768	8,539	7,974	1,960	1,187	1,712	359,127
Derivative financial instruments	6,830	7,510	6,878	5,137	4,324	8,552	14,304	9,051	62,586
Senior debt ¹	128	170	1,571	153	60	321	778	764	3,945
Other debt securities in issue ¹	9,430	15,641	9,104	1,345	976	3,453	776	6,834	47,559
Other liabilities	17,256	5,895	3,309	540	525	783	744	12,455	41,507
Due to Parent companies and other related undertakings	18,916	-	-	-	-	-	-	-	18,916
Subordinated liabilities and other borrowed funds	-	-	-	-	-	2,344	2,641	15,731	20,716
Total liabilities	367,616	65,761	43,253	16,581	13,929	17,827	20,799	46,753	592,519
Net liquidity gap	(174,811)	2,591	7,801	12,686	9,059	31,226	74,205	84,516	47,273

¹ Amounts include financial instruments held at fair value through profit or loss (see note 15 on page 196)

Standard Chartered Bank

Risk and Capital review continued

Contractual maturity continued

Group	2014								Total \$million
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	
Assets									
Cash and balances at central banks	87,209	-	-	-	-	-	-	10,073	97,282
Derivative financial instruments	7,830	8,987	7,753	5,796	4,075	9,545	12,327	10,004	66,317
Loans and advances to banks ¹	38,108	18,419	15,388	6,260	5,663	1,774	1,813	70	87,495
Loans and advances to customers ¹	77,288	26,106	19,147	10,801	11,007	22,677	43,747	77,679	288,452
Investment securities	9,951	13,065	11,245	8,202	8,446	20,881	36,790	20,234	128,814
Other assets	20,163	7,488	2,950	366	456	321	693	22,966	55,403
Total assets	240,549	74,065	56,483	31,425	29,647	55,198	95,370	141,026	723,763
Liabilities									
Deposits by banks ¹	49,903	2,775	783	168	266	114	681	543	55,233
Customer accounts ¹	308,310	49,482	24,117	10,342	10,847	6,194	1,899	2,998	414,189
Derivative financial instruments	8,703	8,844	7,605	5,478	3,737	8,714	12,449	8,654	64,184
Senior debt ¹	215	191	596	904	91	1,812	931	766	5,506
Other debt securities in issue ¹	12,078	16,217	14,818	3,767	1,169	695	1,133	6,767	56,644
Other liabilities	16,566	7,648	4,650	801	295	418	786	10,957	42,121
Due to Parent Companies and other related undertakings	15,705	-	-	-	-	-	-	-	15,705
Subordinated liabilities and other borrowed funds	-	-	-	6	-	1,014	3,872	16,470	21,362
Total liabilities	411,480	85,157	52,569	21,466	16,405	18,961	21,751	47,155	674,944
Net liquidity gap	(170,931)	(11,092)	3,914	9,959	13,242	36,237	73,619	93,871	48,819

¹ Amounts include financial instruments held at fair value through profit or loss (see note 15 on page 197)

Standard Chartered Bank

Risk and Capital review continued

Contractual maturity continued

	2015								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Company	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Assets									
Cash and balances at central banks	46,642	-	-	-	-	-	-	3,274	49,916
Derivative financial instruments	6,529	7,789	7,048	5,426	4,419	8,846	13,581	9,176	62,814
Loans and advances to banks ¹	17,834	9,864	6,838	2,521	2,169	1,703	1,353	38	42,320
Loans and advances to customers ¹	48,350	13,478	7,575	4,541	4,078	9,580	21,644	13,382	122,628
Investment securities	1,630	4,978	8,752	4,762	2,606	7,385	30,620	10,499	71,232
Investments in subsidiary undertaking	-	-	-	-	-	-	-	13,127	13,127
Other assets	19,441	3,352	2,099	72	98	93	15	3,139	28,309
Due from subsidiary undertakings and other related parties	14,599	-	-	-	-	-	-	-	14,599
Total assets	155,025	39,461	32,312	17,322	13,370	27,607	67,213	52,635	404,945
Liabilities									
Deposits by banks ¹	26,804	1,827	1,596	863	36	402	123	34	31,685
Customer accounts ¹	115,031	18,844	10,967	4,885	3,809	481	502	182	154,701
Derivative financial instruments	6,751	7,491	7,008	5,120	4,112	8,147	13,280	8,813	60,722
Senior debt ¹	-	-	-	-	-	-	-	-	-
Other debt securities in issue ¹	10,888	15,276	8,794	1,368	709	1,643	600	4,294	43,572
Other liabilities	15,167	4,018	2,306	602	294	404	431	3,514	26,736
Due to subsidiary undertaking and other related parties	33,983	-	-	-	-	-	-	-	33,983
Subordinated liabilities and other borrowed funds	-	-	905	-	-	2,344	1,757	14,034	19,040
Total liabilities	208,624	47,456	31,576	12,838	8,960	13,421	16,693	30,871	370,439
Net liquidity gap	(53,599)	(7,995)	736	4,484	4,410	14,186	50,520	21,764	34,506

¹ Amounts include financial instruments held at fair value through profit or loss (see note 15 on page 198)

Standard Chartered Bank

Risk and Capital review continued

Contractual maturity continued

Company	2014								Total
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Assets									
Cash and balances at central banks	78,723	-	-	-	-	-	-	4,005	82,728
Derivative financial instruments	7,283	8,668	7,506	5,362	3,899	9,318	11,566	9,863	63,465
Loans and advances to banks ¹	18,483	13,097	10,202	4,502	2,718	1,670	1,557	70	52,299
Loans and advances to customers ¹	49,177	13,540	7,543	4,993	4,609	10,995	23,937	15,422	130,216
Investment securities	1,858	3,637	4,487	3,888	2,944	6,857	26,333	14,312	64,316
Investment In Subsidiary Undertakings	-	-	-	-	-	-	-	12,962	12,962
Other assets	18,178	5,083	2,080	59	127	46	23	2,998	28,594
Due From Subsidiary undertakings and other related parties	19,349	-	-	-	-	-	-	-	19,349
Total assets	193,051	44,025	31,818	18,804	14,297	28,886	63,416	59,632	453,929
Liabilities									
Deposits by banks ¹	42,059	2,336	704	164	217	100	424	37	46,041
Customer accounts ¹	131,029	27,334	11,627	4,959	3,710	2,813	792	144	182,408
Derivative financial instruments	7,587	8,599	7,447	5,117	3,631	8,330	11,713	9,085	61,509
Senior debt	-	-	-	167	-	-	-	-	167
Other debt securities in issue ¹	10,116	15,084	14,372	3,704	905	646	892	3,160	48,879
Other liabilities	13,074	4,984	3,029	650	81	186	336	2,347	24,687
Due to Subsidiary undertakings and other related parties	37,488	-	-	-	-	-	-	-	37,488
Subordinated liabilities and other borrowed funds	-	-	-	-	-	1,014	3,780	14,816	19,610
Total liabilities	241,353	58,337	37,179	14,761	8,544	13,089	17,937	29,589	420,789
Net liquidity gap	(48,302)	(14,312)	(5,361)	4,043	5,753	15,797	45,479	30,043	33,140

¹ Amounts include financial instruments held at fair value through profit or loss (see note 15 on page 199)

Standard Chartered Bank

Risk and Capital review continued

Behavioural maturity of financial assets and liabilities

The cash flows presented on page 164 reflect the cash flows that will be contractually payable over the residual maturity of the instruments. However, contractual maturities do not necessarily reflect the timing of actual repayments or cash flow. In practice, certain asset and liability instruments behave differently from their contractual terms and, especially for short-term customer accounts, credit card balances and overdrafts,

which extend to a longer period than their contractual maturity. On the other hand, mortgage balances tend to have a shorter repayment period than their contractual maturity date. Such behavioural adjustments are identified and managed in each country through analysis of the historical behaviour of balances. The Group's expectation of when assets and liabilities are likely to become due is provided in the table below.

Behavioural maturity

Group	2015								Total
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Assets									
Loans and advances to banks ¹	31,090	16,646	9,053	3,549	2,779	1,965	1,647	38	66,767
Loans and advances to customers ¹	54,682	22,171	13,262	8,045	13,269	18,065	79,046	52,735	261,275
Total loans and advances	85,772	38,817	22,315	11,594	16,048	20,030	80,693	52,773	328,042
Liabilities									
Deposits by banks ¹	21,861	2,705	1,744	985	193	9,758	711	206	38,163
Customer accounts ¹	115,514	21,641	13,423	8,821	17,582	65,241	114,913	1,992	359,127
Total deposits	137,375	24,346	15,167	9,806	17,775	74,999	115,624	2,198	397,290
Net gap	(51,603)	14,471	7,148	1,788	(1,727)	(54,969)	(34,931)	50,575	(69,248)

Group	2014								Total
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Assets									
Loans and advances to banks ¹	38,954	17,945	14,935	6,237	5,320	1,734	2,285	85	87,495
Loans and advances to customers ¹	56,455	22,010	14,780	9,023	15,663	22,053	90,032	58,436	288,452
Total loans and advances	95,409	39,955	29,715	15,260	20,983	23,787	92,317	58,521	375,947
Liabilities									
Deposits by banks ¹	37,983	2,853	840	223	337	11,716	737	544	55,233
Customer accounts ¹	144,144	29,151	15,898	11,151	22,720	79,491	107,446	4,188	414,189
Total deposits	182,127	32,004	16,738	11,374	23,057	91,207	108,183	4,732	469,422
Net gap	(86,718)	7,951	12,977	3,886	(2,074)	(67,420)	(15,866)	53,789	(93,475)

¹ Amounts include financial instruments held at fair value through profit or loss (see note 15)

Standard Chartered Bank

Risk and Capital review continued

Behavioural maturity continued

2015									
Company	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Assets									
Loans and advances to banks ¹	17,852	9,862	6,707	2,422	2,399	1,700	1,340	38	42,320
Loans and advances to customers ¹	43,470	14,576	7,995	4,862	4,363	10,905	23,395	13,062	122,628
Total loans and advances	61,322	24,438	14,702	7,284	6,762	12,605	24,735	13,100	164,948
Liabilities									
Deposits by banks ¹	17,011	1,926	1,717	982	159	9,684	172	34	31,685
Customer accounts ¹	78,653	14,777	9,229	6,085	5,844	16,279	23,691	143	154,701
Total deposits	95,664	16,703	10,946	7,067	6,003	25,963	23,863	177	186,386
Net gap	(34,342)	7,735	3,756	217	759	(13,358)	872	12,923	(21,438)
2014									
Company	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Assets									
Loans and advances to banks ¹	18,640	13,022	10,138	4,498	2,702	1,638	1,578	83	52,299
Loans and advances to customers ¹	42,290	13,572	8,459	5,537	5,171	12,811	27,346	15,030	130,216
Total loans and advances	60,930	26,594	18,597	10,035	7,873	14,449	28,924	15,113	182,515
Liabilities									
Deposits by banks ¹	30,184	2,373	761	219	289	11,700	479	36	46,041
Customer accounts ¹	81,180	21,507	11,191	7,131	7,005	16,795	37,545	54	182,408
Total deposits	111,364	23,880	11,952	7,350	7,294	28,495	38,024	90	228,449
Net gap	(50,434)	2,714	6,645	2,685	579	(14,046)	(9,100)	15,023	(45,934)

¹ Amounts include financial instruments held at fair value through profit or loss (See Note 15)

Standard Chartered Bank

Risk and Capital review continued

Maturity of Financial liabilities (excluding derivative financial instruments) on an undiscounted basis

The following table analyses the contractual cash flows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the table below will not agree to the balances reported in the consolidated balance sheet as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Within the 'More than five years and undated' maturity band are undated financial liabilities, all of which relate to subordinated debt, on which interest payments are not included as this information would not be meaningful given the instruments are undated. Interest payments on these instruments are included within the relevant maturities up to five years.

2015									
Group	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Deposits by banks	31,677	2,615	1,629	875	73	495	625	254	38,243
Customer accounts	265,502	34,133	21,019	8,794	8,060	7,045	14,146	2,514	361,213
Debt securities in issue	11,147	15,834	10,741	1,520	1,061	2,333	1,859	8,985	53,480
Subordinated liabilities and other borrowed funds	24	35	1,121	138	64	2,749	3,268	2,707	10,106
Other liabilities	17,353	6,572	3,355	472	548	782	713	12,875	42,670
Total liabilities	325,703	59,189	37,865	11,799	9,806	13,404	20,611	27,335	505,712

2014									
Group	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Deposits by banks	49,597	2,861	811	177	262	190	1,030	690	55,618
Customer accounts	297,368	49,629	24,341	10,453	10,978	10,419	14,410	4,108	421,706
Debt securities in issue	12,306	16,446	15,462	4,712	1,325	2,643	2,195	17,013	72,102
Subordinated liabilities and other borrowed funds	25	35	227	154	66	1,523	4,813	4,540	11,383
Other liabilities	16,308	7,706	4,661	806	297	419	774	11,151	42,122
Total liabilities	375,604	76,677	45,502	16,302	12,928	15,194	23,222	37,502	602,931

Standard Chartered Bank

Risk and Capital review continued

Maturity of Financial liabilities (excluding derivative financial instruments) on an undiscounted basis continued

2015									
Company	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Deposits by banks	26,817	1,835	1,602	871	38	416	66	34	31,679
Customer accounts	115,210	18,939	11,105	4,942	3,990	515	532	227	155,460
Debt securities in issue	10,893	15,283	8,802	1,373	711	1,654	605	4,273	43,594
Subordinated liabilities and other borrowed funds	22	32	1,084	133	27	2,666	2,168	1,883	8,015
Other liabilities	14,992	4,147	2,347	524	294	411	473	3,777	26,965
Total liabilities	167,934	40,236	24,940	7,843	5,060	5,662	3,844	10,194	265,713

2014									
Company	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Deposits by banks	42,083	2,343	714	172	219	122	380	36	46,069
Customer accounts	136,558	27,445	11,731	4,995	3,747	2,961	434	142	188,013
Debt securities in issue	10,121	15,088	14,396	3,884	909	649	896	10,530	56,473
Subordinated liabilities and other borrowed funds	24	32	188	143	28	1,428	4,447	2,784	9,074
Other liabilities	12,462	4,986	3,039	654	81	186	336	2,946	24,690
Total liabilities	201,248	49,894	30,068	9,848	4,984	5,346	6,493	16,438	324,319

Standard Chartered Bank

Risk and Capital review continued

Maturity of derivative financial instruments on an undiscounted (notional) basis continued

Derivative financial instruments include those net settled derivative contracts in a net liability position, together with the pay leg of gross settled contracts regardless of

whether the overall contract is in an asset or liability position. The receiving leg is not shown in this table and as a result the derivative amounts in this table are increased by their exclusion.

2015									
Group	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Derivative financial instruments	435,036	375,963	179,355	132,034	87,710	105,856	137,942	83,673	1,537,569

2014									
Group	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Derivative financial instruments	289,570	260,393	196,594	125,535	96,151	149,743	160,834	102,843	1,381,663

2015									
Company	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Derivative financial instruments	583,853	480,404	246,638	180,600	112,075	115,540	141,634	83,559	1,944,303

2014									
Company	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Derivative financial instruments	482,765	408,904	288,696	180,494	132,254	160,733	168,480	102,204	1,924,530

Standard Chartered Bank

Risk and Capital review continued

Operational risk (unaudited)

We define operational risk as the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks.

As operational risk arises from all activities carried out within the Group, the potential for operational risk events occurring across a large and complex international organisation is a constant challenge. To address this we aim to achieve 'industrial strength' process and control design standards for all activities and benchmark practices against peers, other industries and regulatory requirements.

A summary of our current policies and practices regarding operational risk management is provided in Risk management approach on pages 146 to 148.

Operational risk profile

The operational risk profile is the Group's overall exposure to operational risk, at a given point in time, covering all applicable operational risk types. The operational risk profile comprises both operational risk events and losses that have already occurred and the current exposures to operational risks which, at an aggregate level, includes the consideration of top risks and emerging risks.

Operational risk events and losses

The most significant losses reviewed by Group committees during the year were:

- The Group has recorded an operational risk event of \$93.3 million relating to a credit impairment in its Private Banking Business (classified under the 'Retail Banking' Basel Business Line category) in Hong Kong. This was the highest operational risk loss recorded by the Group in 2015. A root cause analysis has been conducted and actions to enhance controls are underway
- The second-highest operational risk loss is \$20.4 million recorded in relation to a legal claim against the Group for mis-selling of a derivative product in Indonesia. The Group commenced legal action to recover from the client in 2009 upon the client's default on contractual obligations. The client counterclaimed alleging a case of mis-selling. Final judgement was received in October 2015 in favour of the client. The Group's procedures were reviewed and revised in 2009 and continue to be enhanced to ensure products are appropriate and suitable for our clients

The Group's profile of operational loss events in 2015 and 2014 is summarised in the table below. It shows, by Basel business line, the percentage distribution of gross operational losses.

The Group's profile of operational loss events in 2015 and 2014 is summarised in the table below. It shows by Basel business line the percentage distribution of gross operational losses.

Distribution of operational losses by Basel business line	% Loss	
	2015	2014 ³
Agency Services	0.7%	0.1%
Commercial Banking	21.7%	6.3%
Corporate Finance	-	1.2%
Corporate Items	4.0%	41.3%
Payment and Settlements	7.3%	17.7%
Retail Banking ¹	49.4%	4.5%
Retail Brokerage	1.5%	0.2%
Trading and Sales ²	15.4%	28.7%

1. Includes the operational risk event in Private Banking in Hong Kong

2. Includes the settlement for the mis-selling claim in Indonesia

3. 2014 losses are restated to ensure alignment with the revised classification of certain losses. This restatement does not impact the financial statement in 2014

The Group's profile of operational loss events in 2015 and 2014 is also summarised by Basel event type in the table below. It shows the percentage distribution of gross operational losses by Basel event type:

Distribution of operational losses by Basel event type	% Loss	
	2015	2014 ³
Business Disruption and System Failures	0.4%	0.1%
Clients Products and Business Practices ²	16.1%	57.5%
Execution Delivery and Process Management	17.5%	11.6%
External Fraud	24.7%	29.0%
Internal Fraud ¹	41.4%	1.8%

1. Includes the operational risk event in Private Banking in Hong Kong

2. Includes the settlement for the mis-selling claim in Indonesia

3. 2014 losses are restated to ensure alignment with the revised classification of certain losses. This restatement does not impact the financial statement in 2014

Standard Chartered Bank

Risk and Capital review continued

The Group's profile of operational loss events in 2015 and 2014 is also summarised in the table above. It shows the percentage distribution of gross operational losses by Basel event type.

Operational losses are one indicator of the effectiveness and robustness of the operational risk control environment. In addition, lessons learned reviews and root cause analyses from external and internal loss events, including near misses, are used to improve processes and controls.

Top risks and emerging risks

A top risk is a risk exposure, or a group of highly correlated risk exposures, that has the highest potential to breach the Group's risk capacity. The objective is to identify those risks that can materially impact the Group's risk capacity, and to calibrate metrics as early warning indicators against undesirable outcomes and performance

under stress. Top risk candidates are identified through a top-down assessment of concentration of exposures or aggregation of risks and may also be a gross risk, triggering any one of a set of filtering criteria.

Emerging risks are also considered, both internally from the Group's internal operational risk profile and from external events. Where relevant, an emerging risk may be categorised and prioritised as a top risk for specific monitoring.

Given their significance, top risks attract closer scrutiny from top levels of management and governance committees. Top risks are expected to change over time based on top-down assessments by senior management.

The Group's operational top risks as at 31 December 2015 are shown in the table below.

Top risks

Macro-prudential, regulatory and external risks

- Regulatory non-compliance
- Anti-money laundering and terrorist financing
- International sanctions
- External fraud
- Information and cyber security
- Critical third-party vendors
- Additional conduct
- Anti-bribery and corruption

Internal processes, systems and change risks

- Change management
- Data management
- Major systems failure
- Significant business interruption
- Rogue trading
- Internal fraud
- Market misconduct
- Mis-selling
- Product management
- Collateral management

Standard Chartered Bank

Risk and Capital review continued

Other risks (unaudited)

Reputational risk

A summary of our current practices regarding reputational risk management is provided in the Risk management approach on pages 148 to 149.

Environmental and social risk

Details of our approach to managing environmental and social risk are provided on page 157. In 2015, our Environmental and Social Risk Management (ESRM) team reviewed over 480 client relationships and transactions across a range of Position Statement sectors. For all risks identified, we seek to develop effective mitigating measures. Where this is not possible, transactions have been and will continue to be turned down. In 2015, we trained more than 1,700 staff on our requirements and processes.

We were pleased to join the Banking Environment Initiative in 2015 and continued our work as a member of the Equator Principles Steering Committee.

Pension risk

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes.

See further pension disclosure in the Risk management approach on page 149.

Strategic risk

Strategic risk is the potential for opportunity loss from failure to optimise the earnings potential of the Group's franchise. Please refer to the Risk management approach on page 149 for further disclosures on strategic risk.

Principal uncertainties

An overview of our risk profile is set out in pages 50 to 130 and our approach to risk management is set out in pages 132 to 149.

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

Deteriorating macroeconomic conditions in footprint countries

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

The world economy is in a difficult period and although the rate of economic growth in some countries is increasing, other countries are facing difficult economic conditions. Further increases in US interest rates could lead to increased volatility in financial markets and capital flight from emerging markets which may lower the growth rates of some vulnerable economies in which the Group operates. Slowing economic growth rates in China may further depress prices and trade in a number of commodity sectors such as the energy, metals and mining sectors, and a prolonged slowdown could have wider economic repercussions. In particular, further weakness in energy prices could have a significant negative effect on energy producing countries via reduced government revenues and foreign exchange earnings with energy and related service industries vulnerable to reduced prices and lower levels of investment.

The sovereign crisis in the eurozone is not fully resolved and, although acute risks have been addressed by ongoing policy initiatives and the prospects for many of the European economies have improved, there is still a need for substantial structural reform (see additional information on the risk of redenomination on page 101). The proposed UK referendum on continued membership of the European Union (EU) would bring further economic and political uncertainty.

Although the Group has no direct sovereign exposure to affected European economies, including Greece, Ireland, Italy, Portugal and Spain, we remain alert to the risk of secondary impacts from events on financial institutions, other counterparties and global economic growth.

Inflation and property prices appear to be under control in most of the countries in which we operate, though some central banks continue to employ macro prudential tools to temper property price increases. Changes in monetary policy could lead to significant increases in interest rates from their currently low historical levels, with resulting impacts on the wider economy and on property values.

We balance risk and return, taking account of changing conditions through the economic cycle, and monitor economic trends in our markets very closely. We

conduct stress tests to assess the effects of extreme but plausible trading conditions on our portfolio and also continuously review the suitability of our risk policies and controls. We manage credit exposures following the principle of diversification across products, geographies and client segments. This provides strong resilience against economic shocks in one or more of our portfolios.

Financial markets dislocation

A sudden financial markets dislocation could affect our performance, directly through its impact on the valuations of assets in our available-for-sale and trading portfolios or indirectly through the availability of capital or liquidity. Financial markets instability may also increase the likelihood of default by our counterparties and may increase the likelihood of client disputes.

We stress test our market risk exposures to highlight the potential impact of extreme market events on those exposures and to confirm that they are within authorised stress loss triggers. Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Where necessary, overall reductions in market risk exposure are enforced.

We carefully assess the performance of all of our counterparties in stress scenarios and adjust our limits accordingly.

We maintain robust processes to assess the suitability and appropriateness of the products and services we provide to our clients.

Geo-political events

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

We actively monitor the political situation in all our principal markets. We also monitor the development of broader geo-political events such as those in Ukraine, the Middle East and territorial disputes in North East Asia. We conduct stress tests on the impact of extreme but plausible geo-political events on our performance, and the potential for such events to jeopardise our ability to operate within our stated risk appetite. Further details on stress testing are given on page 139.

Risk of fraud and other criminal acts

The banking industry has long been a target for third parties seeking to defraud and disrupt legitimate economic activity, or facilitate other illegal activities. Concerns about cyber crime have risen significantly, driven in part by geo-political events. Cyber crime risks include fraud, vandalism and disruption to critical infrastructure.

While the internet and networked technologies have provided major opportunities for digitising business, they have also given rise to significant risks as well-equipped and motivated attackers become more sophisticated. The incidence of cyber crime is rising, becoming more globally coordinated, and is a challenge for all organisations.

Standard Chartered Bank

Risk and Capital review continued

We seek to be vigilant to the risk of internal and external crime in our management of people, processes and systems and in our dealings with clients and other stakeholders. The Group has implemented a range of cyber crime defences to protect from hacking, misuse, malware, errors, social engineering and physical threats. Controls are embedded in our policies and procedures across a wide range of the Group's activities, such as origination, recruitment and physical and information security. We perform regular reviews of our control environment, perform external benchmarking against government and international cyber standards and frameworks and conduct tests of our defences against cyber and other attacks.

In a heavily regulated environment with an increasing threat of cyber crime, the Group continues to monitor and respond to cyber risks vigilantly by building on current capabilities, reinforcing policy frameworks and strengthening monitoring and internal controls.

We use third-party security providers where appropriate to further protect, validate and strengthen our defences and we actively collaborate with our peers, regulators, law enforcement bodies and other expert bodies as part of our response to this risk.

Exchange rate movements

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

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

The following table sets out the period-end and average currency exchange rates versus the dollar for Indian rupee, Korean won, Malaysian ringgit, renminbi and Singapore dollar for the years ended 31 December 2015 and 31 December 2014. These are the markets for which currency exchange rate movements have had the greatest translation impact on the Group's results in 2015.

	2015	2014
Indian rupee		
Average	64.11	60.98
Year end	66.13	62.96
Korean won		
Average	1,131.23	1,052.25
Year end	1,172.29	1,098.85
Malaysian ringgit		
Average	3.9059	3.2702
Year end	4.2921	3.4947
Renminbi		
Average	6.2283	6.1431
Year end	6.4915	6.1255
Singapore dollar		
Average	1.3748	1.2667
Year end	1.4172	1.3253

Regulatory changes

Our business as an international bank will continue to be subject to an evolving and complex regulatory framework comprising legislation, regulation, action by regulators and codes of practice, in each of the countries in which we operate. A key uncertainty relates to the way in which governments and regulators adjust laws, regulations and economic policies in response to macroeconomic and other systemic conditions. The nature and impact of such future changes are not always predictable and could adversely affect our strategic interests. Some of these changes that could have a significant impact to the Group are discussed below.

The European Commission has published a legislative proposal for a regulation on structural measures improving the resilience of EU credit institutions, including a prohibition on proprietary trading and separation powers for supervisors relating to banks' trading activities. The proposed regulation is under discussion between the European Commission, the European Parliament and Council of the EU. It is currently uncertain when the regulation will be finalised, although it is expected it will be adopted during 2016 with a view to the prohibition on proprietary trading taking effect on 1 January 2017 and the separation powers for supervisors on 1 July 2018.

Uncertainty remains regarding the final calibration and implementation of (i) certain liquidity requirements (in particular, the net stable funding ratio) and the leverage ratio under the EU's Capital Requirements Directive and Regulation (CRD IV) (although the Prudential Regulation Authority has required large UK banks, including Standard Chartered, to meet a minimum 3 per cent leverage ratio requirement from 1 January 2016 and supplementary leverage ratio buffers ahead of final calibration by the European Union) and (ii) OTC derivative reforms across our markets, which could potentially have a material impact on the Group and its business model. Furthermore, proposals for regulatory changes may have unintended consequences either for individual banks or, in terms of aggregate impact, on the financial system.

Standard Chartered Bank

Risk and Capital review continued

Depending on the final calibration and implementation of these measures, they could adversely affect economic growth, the volatility and liquidity of the financial markets and, consequently, the way we conduct business, structure our global operating model and manage capital and liquidity. These effects may directly or indirectly impact our financial performance.

Regulatory compliance, reviews, requests for information and investigations (audited)

While the Group seeks to comply with the letter and spirit of all applicable laws and regulations at all times, it has been, and may continue to be, subject to regulatory actions, reviews, requests for information (including subpoenas and requests for documents) and investigations across our markets, the outcomes of which are generally difficult to predict and can be material to the Group.

Regulatory and enforcement authorities have broad discretion to pursue prosecutions and impose a wide range of penalties for non-compliance with laws and regulations. Penalties imposed by authorities have included substantial monetary penalties, additional compliance and remediation requirements and additional business restrictions. In recent years, such authorities have exercised their discretion to impose increasingly severe penalties on financial institutions that have been determined to have violated laws and regulations, and there can be no assurance that future penalties will not be of a different type or increased severity.

In 2012, the Group reached settlements with the US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services (NYDFS), a Cease and Desist Order by the Board of Governors of the Federal Reserve System (FED), Deferred Prosecution Agreements (DPAs) with each of the Department of Justice (DOJ) and the New York County District Attorney's Office (DANY) and a Settlement Agreement with the Office of Foreign Assets Control (together, the 'Settlements'). In addition to the civil penalties totalling \$667 million, the terms of these Settlements include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and, in connection with the NYDFS Consent Order, the appointment of an independent monitor (the 'Monitor'). These obligations are managed under a programme of work referred to as the US Supervisory Remediation Program (SRP). The SRP comprises work streams designed to ensure compliance with the remediation requirements contained in all of the Settlements. In 2013, the Group also established a Financial Crime Risk Mitigation Programme (FCRMP), which is a comprehensive, multi-year programme designed to review and enhance many aspects of the Group's existing approach to money laundering prevention and to combating terrorism finance and the approach to sanctions compliance and the prevention of bribery and corruption. Many of the deliverables under the SRP are reliant on, or led by,

individuals or functions outside the US, and in some cases represent the US implementation of Group-wide remediation or upgrade activity managed under the FCRMP. Consequently, there is a close working relationship between the SRP and FCRMP for the purpose of project coordination and delivery. As part of the FCRMP, the Group or its advisors may identify new issues, potential breaches or matters requiring further review or further process improvements that could impact the scope or duration of the FCRMP.

The Group is engaged with all relevant authorities to implement these programmes and meet the obligations under the Settlements.

On 19 August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies in the AML transaction surveillance system in its New York branch (the 'Branch'). The system, which is separate from the sanctions screening process, is one part of the Group's overall financial crime controls and is designed to alert the Branch to unusual transaction patterns that require further investigation on a post-transaction basis.

The Settlement provisions are summarised as follows:

- (i) A civil monetary penalty of \$300 million
- (ii) Enhancements to the transaction surveillance system at the Branch
- (iii) A two-year extension to the term of the Monitor
- (iv) The following set of temporary remediation measures, which will remain in place until the transaction surveillance system's detection scenarios are operating to a standard approved by the Monitor:
 - (a) The Branch will not, without prior approval of the NYDFS in consultation with the Monitor, open a dollar demand deposit account for any client that does not already have such an account with the Branch
 - (b) Requirements for inclusion of identifying information for originators and beneficiaries of some affiliate and third-party payment messages cleared through the Branch
 - (c) A restriction on dollar-clearing services for certain Hong Kong retail business clients
 - (d) Enhanced monitoring of certain small and medium-sized enterprise clients in the UAE. The Group decided to exit this business as part of its broader efforts to sharpen its strategic focus, withdrawing from or realigning non-strategic businesses, including those where increased regulatory costs undermine their economic viability. The exit process is largely complete and, in accordance with the settlement agreement, dollar clearance restrictions were implemented effective 17 November 2014.

The remit of the SRP has been expanded to cover the management of these obligations.

On 9 December 2014, the Group announced that the DOJ, DANY and the Group had agreed to a three-year extension of the DPAs until 10 December 2017, and to the retention of a monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme. The DOJ agreement

Standard Chartered Bank

Risk and Capital review continued

acknowledges that the Group has taken a number of steps to comply with the requirements of the original DPAs and to enhance and optimise its sanctions compliance, including the implementation of more rigorous US sanctions policies and procedures, certified staff training, hiring of senior legal and financial crime compliance staff, and recently implementing additional measures to block payment instructions for countries subject to US sanctions laws and regulations. The Group will work closely with the authorities to make additional substantial improvements to its US sanctions programme to reach the standard required by the DPAs.

The Group is cooperating with an investigation by the US authorities and the New York State Attorney General relating to possible historical violations of US sanctions laws and regulations. In contrast to the 2012 settlements, which focused on the period before the Group's 2007 decision to stop doing new business with known Iranian parties, the ongoing investigation is focused on examining the extent to which conduct and control failures permitted clients with Iranian interests to conduct transactions through Standard Chartered Bank after 2007 and the extent to which any such failures were shared with relevant US authorities in 2012.

The Group recognises that its compliance with historical, current and future sanctions, as well as AML and BSA requirements, and customer due diligence practices, not just in the US but throughout its footprint, are and will remain a focus of the relevant authorities.

The Financial Conduct Authority (FCA) is investigating Standard Chartered Bank's financial crime controls, looking at the effectiveness and governance of those controls within the correspondent banking business carried out by Standard Chartered Bank's London branch, particularly in relation to the business carried on with respondent banks from outside the European Economic Area, and the effectiveness and governance of those controls in one of Standard Chartered Bank's

overseas branches and the oversight exercised at Group level over those controls.

As part of their remit to oversee market conduct, regulators and other agencies in certain markets are conducting investigations or requesting reviews into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. At relevant times, certain of the Group's branches and/or subsidiaries were (and are) participants in some of those markets, in some cases submitting data to bodies that set such rates and other financial benchmarks. The Group is contributing to industry proposals to strengthen financial benchmarks processes in certain markets and continues to review its practices and processes in the light of the investigations, reviews and the industry proposals.

The Group is cooperating with all relevant ongoing reviews, requests for information and investigations. The outcome of these reviews, requests for information and investigations is uncertain and could result in further actions, penalties or fines, but it is not possible to predict the extent of any liabilities or other consequences that may arise.

In meeting regulatory expectations and demonstrating active risk management, the Group also takes steps to restrict or restructure or otherwise mitigate higher-risk business activities, which could include divesting or closing businesses that exist beyond risk tolerances.

For further details on legal and regulatory matters refer to note 41 on page 277.

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

Risk Management Approach

Risk management framework

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

Through our Risk Management Framework we manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our risk tolerance.

Credit, country cross-border, market, liquidity, operational, reputational, pension and strategic risk are covered in pages 50 to 131 and the approach to capital risk on pages 150 to 151.

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

Balancing risk and return

- We manage our risks to build a sustainable franchise, in the interests of all our stakeholders
- We only take risk within our risk tolerances and risk appetite, and where consistent with our approved strategy
- We manage our risk profile so as to maintain a low probability of an unexpected loss event that would materially undermine the confidence of our investors

Conduct of business

- We demonstrate we are Here for good through our conduct, and are mindful of the reputational consequences of inappropriate conduct
- We seek to achieve good outcomes for clients, investors and the markets in which we operate, while abiding by the spirit and letter of laws and regulations
- We treat our colleagues fairly and with respect

Responsibility and accountability

- We take individual responsibility to ensure risk-taking is disciplined and focused, particularly within our area of authority
- We make sure risk-taking is transparent, controlled and reported in line with the Risk Management Framework, within risk appetite and risk tolerance boundaries and only where there is appropriate infrastructure and resource
- Our approach is to work with clients who are committed to managing their impacts on communities and the environment in a sustainable manner

Anticipation

- We seek to anticipate material future risks, learn lessons from events that have produced adverse outcomes and ensure awareness of known risks

Competitive advantage

- We seek to achieve competitive advantage through efficient and effective risk management and control

Risk and Capital review continued

Risk governance

Ultimate responsibility for setting our risk tolerance boundaries and for the effective management of risk rests with the Board.

Acting within an authority delegated by the Board, the Board Risk Committee, whose membership exclusively comprises non-executive directors of the Group, has responsibility for oversight and review of prudential risks, including but not limited to credit, market, capital, liquidity and operational risks. It reviews the Group's overall Risk Tolerance Statement and makes recommendations thereon to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material acquisitions and disposals, and monitoring the activities of the Group Risk Committee and the Group Asset and Liability Committee.

The Board Risk Committee receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. The Board Risk Committee also conducts 'deep dive' reviews on a rolling basis of different sections of a consolidated risk information report that is provided at each scheduled committee meeting.

The Brand, Values and Conduct Committee oversees the brand, values and good reputation of the Group, ensuring that reputational risk is consistent with the Risk Tolerance Statement approved by the Board and the creation of long-term shareholder value.

The Board Financial Crime Risk Committee oversees the Group's effective compliance with financial crime regulations.

The Audit Committee reviews the Group's internal financial controls to identify, assess, manage and monitor financial risks.

Executive responsibility for risk management is delegated to the Standard Chartered Bank Court (the 'Court'), which comprises the Group executive directors and other directors of Standard Chartered Bank.

The Court is the highest executive body of the Group and its terms of reference are approved by the Board of Standard Chartered PLC. The Court delegates authority for the management of risk to the Group Risk Committee and the Group Asset and Liability Committee.

The Group Risk Committee is responsible for the management of all risks other than those delegated by the Court to the Group Asset and Liability Committee. The Group Risk Committee is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, pension risk and reputational risk. The Group Risk Committee also defines our overall Risk Management Framework.

The Group Asset and Liability Committee is responsible for the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure.

The Group Risk Committee and the Group Asset and Liability Committee are essentially unchanged following the reorganisation of our business, although the committee structures below them have changed in some areas. Further simplification of the committee structure will be carried out in

2016 and some of these changes are discussed in the Capital review on page 150.

Members of the Group Risk Committee and the Group Asset and Liability Committee are drawn principally from the Court. The Group Risk Committee is chaired by the Group Chief Risk Officer. The Group Asset and Liability Committee is chaired by the Group Finance Director. Risk limits and risk exposure approval authority frameworks are set by the Group Risk Committee in respect of credit risk, country cross-border risk, market risk and operational risk. The Group Asset and Liability Committee sets the approval authority frameworks in respect of capital and liquidity risks. Risk approval authorities may be exercised by risk committees or authorised individuals.

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

The sources of authorities and risk committees are currently under review in light of the adoption of individual accountability principles under the Senior Managers Regime.

The Group Risk Committee and Group Asset and Liability Committee requests for and receives information to fulfil their governance mandates relating to the risks to which the Group is exposed, and alerts senior management when risk reports do not meet their requirements. Similar to the Board Risk Committee, the Group Risk Committee and Group Asset and Liability Committee receives reports that include information on risk measures, risk tolerances, risk concentrations, forward-looking assessments, updates on specific risk situations or actions agreed by these committees to reduce or manage risk.

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

- First line of defence: all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business unit, function and geographic heads are accountable for risk management in their respective businesses and functions, and for countries where they have governance responsibilities
- Second line of defence: this comprises the risk control owners, supported by their respective control functions. Risk control owners are responsible for ensuring that the residual risks within the scope of their responsibilities remain within risk tolerance and risk appetite boundaries. The scope of a risk control owner's responsibilities is defined by a given risk type and the risk management processes that relate to that risk type. These responsibilities cut across the Group and are not constrained by functional, business and geographic boundaries. The major risk types are described individually in the following sections
- Third line of defence: the independent assurance provided by the Group Internal Audit function. Its role is defined and overseen by the Audit Committee of the Board

Risk and Capital review continued

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

The Risk function

The Group Chief Risk Officer directly manages a Risk function that is separate and independent from the origination, trading and sales functions of the businesses.

The role of the Risk function is:

- To maintain the Risk Management Framework, ensuring it remains appropriate to the Group's activities, is effectively communicated and implemented across the Group, and to administer related governance and reporting processes
- To uphold the overall integrity of the Group's risk/return decisions, and in particular ensure that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and controlled in accordance with the Group's standards and risk tolerance
- To exercise direct risk control ownership for credit, market, country cross-border, short-term liquidity and operational risk types

The independence of the Risk function is to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. This is particularly important given that revenues are recognised from the point of sale, while losses arising from risk positions typically manifest themselves over time.

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

Risk tolerance and appetite

We recognise three sets of constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

- **Risk capacity** defines externally imposed constraints within which the Group must operate. It is the maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by regulatory capital and liquidity requirements, or otherwise failing to meet the expectations of regulators and law enforcement agencies
- **Risk tolerance** is the boundary defined by the Board that determines the maximum level of risk the Group is ordinarily willing to take in pursuit of its strategy, in accordance with its risk principles. Risk tolerance must constrain risk to the levels where the potential for any financial or reputational damage is consistent with the sustained pursuit of strategy and in line with the reasonable expectations of stakeholders. Risk tolerance cannot exceed risk capacity
- **Risk appetite** is the amount of risk that the Group regards as optimal in order to generate returns, taking account of current and reasonably foreseeable external market conditions. Risk appetite cannot exceed risk tolerance

The Group's risk profile is our overall exposure to risk, at a given point in time, covering all applicable risk types. Risk

control tools such as exposure limits, underwriting standards, scorecard cut-offs and policies and other operational control parameters are used to keep the Group's risk profile within risk appetite (and therefore also risk tolerance and risk capacity).

The Board has approved a Risk Tolerance Statement, which is underpinned by a set of financial and operational control parameters, known as risk tolerances. These risk tolerances directly constrain the aggregate risk exposures that can be taken across the Group. The number of risk tolerances has been increased in 2015 to include further credit and liquidity risk tolerances. In addition, a pension risk tolerance statement and risk tolerances have been introduced for the first time.

The Group's Risk Tolerance Statement, and the related risk tolerance categories approved by the Board, are as follows:

- **General:** the Group will not compromise adherence to its risk tolerances in order to pursue revenue growth or higher returns
- **Credit and country cross-border risk:** the Group manages its credit and country cross-border exposures following the principle of diversification across products, geographies, client segments and industry sectors. Specific risk tolerances are set for individual and top 20 single-name credit concentrations, industry credit concentrations, portfolio tenor, retail unsecured credit risk concentrations, high risk retail unsecured credit risk concentrations, mortgage high loan-to-value concentrations and country cross-border credit risk concentrations
- **Capital and earnings volatility:** under stressed conditions, of a severity experienced on average once in 25 years, the Group's prudential capital ratios on a transitional basis should exceed minimum regulatory capital requirements (being the level at which the Group can operate without additional regulatory restrictions on its activities), without recourse to external sources. Specific tolerances are set for minimum Common Equity Tier 1 capital and leverage ratios under 1-in-25 year stress conditions
- **Market risk:** the Group should control its trading portfolio and activities to ensure that market risk losses (financial or reputational) do not cause material damage to the Group's franchise. Specific tolerances are set for resilience to market stress and to profit and loss volatility in Financial Markets
- **Liquidity risk:** the Group should be able to meet its payment and collateral obligations under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support. Specific tolerances are set for liquidity stress survival horizons, short-term wholesale borrowing, minimum advances to deposits and liquidity coverage ratios
- **Operational risk:** the Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise. This statement is underpinned by risk tolerances for each operational top risk. See page 130 for the list of the Group's current operational top risks
- **Reputational risk:** the Group will protect its reputation to ensure that there is no material damage to the Group's franchise

Standard Chartered Bank

Risk and Capital review continued

- Pension risk: the Group will manage its pension plans such that:
 - There is no material unexpected deterioration in their funding requirements or other financial metrics
 - Members' benefits will continue in their current form although management actions such as a removal of discretionary benefits are allowable in the case of a market stress event

The Group Risk Committee and the Group Asset and Liability Committee are responsible for ensuring that our risk profile is managed in compliance with the risk tolerances set by the Board. The Board Risk Committee advises the Board on the Risk Tolerance Statement and monitors that the Group remains in compliance with it.

Stress testing

Stress testing and scenario analysis are used to assess the ability of Standard Chartered to continue operating effectively under extreme but plausible macro-financial conditions.

Our approach to stress testing is designed to:

- Contribute to the setting and monitoring of Board-level risk tolerance limits
- Contribute to the setting and monitoring of executive-level risk appetite and risk management more generally
- Identify key risks to our capital and liquidity positions, strategy, franchise and reputation
- Support the development of strategic management actions and contingency plans, including business continuity, to ensure the Group can recover from extreme but plausible conditions
- Meet regulatory requirements

Stress tests are performed at Group, country and business level. Bespoke scenarios are applied to our market and liquidity positions as described in the section on market risk on pages 143 to 144 and liquidity risk on page 145. In addition to these, our stress tests also focus on the potential impact of macro-financial, geo-political and physical events on relevant geographies, client segments and risk types including among others credit risk which is discussed in more detail below.

Credit risk

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

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework. The Group manages its credit exposures following the principle of diversification across products, geographies, industries, collateral types and client segments.

Credit Risk Committee

The Credit Risk Committee, which receives its ultimate authority from the Group Risk Committee, is the primary senior management committee to ensure the effective management of credit risk throughout the Group in line with risk appetite and in support of Group strategy. The Credit Risk Committee regularly meets to monitor all material credit risk exposures, key internal developments and external trends,

and ensure that appropriate action is taken. It is chaired by the Group Chief Credit Officer.

Credit policies

Group-wide credit policies and standards are considered and approved by the Group Risk Committee, which also oversees the delegation of credit approval and loan impairment provisioning authorities. These policies set key control standards on credit origination and credit risk assessment, concentration risk and large exposures, credit risk mitigation, credit monitoring, collection and recovery management. In addition, there are other Group-wide policies integral to credit risk management such as those relating to stress testing, risk measurement and impairment provisioning.

Policies and procedures specific to each client or product segment are established by authorised bodies. These are consistent with our Group-wide credit policies, but are more detailed and adapted to reflect the different risk characteristics across client and product segments. Policies are regularly reviewed and monitored to ensure these remain effective and consistent with the risk environment and risk appetite.

Credit rating and measurement

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions.

Since 1 January 2008, Standard Chartered has used the advanced internal ratings-based (AIRB) approach under the Basel II regulatory framework to calculate credit risk capital requirements.

A standard alphanumeric credit risk grade (CG) system for Corporate & Institutional Clients and Commercial Clients is used. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower credit grades are indicative of a lower likelihood of default. CG 1 to 12 are assigned to performing customers or accounts, while CG 13 and 14 are assigned to non-performing or defaulted customers. An analysis by CG of those loans that are neither past due nor impaired is set out on pages 72 and 75.

Retail Clients IRB portfolios use application and behaviour credit scores that are calibrated to generate a probability of default and then mapped to the standard alphanumeric credit risk grade system. We refer to external ratings from credit bureaus (where these are available), however, we do not rely solely on these to determine Retail Clients' CGs.

AIRB models cover a substantial majority of our exposures and are used in assessing risks at a customer and portfolio level, setting strategy and optimising our risk return decisions. Material IRB risk measurement models are approved by the Credit Risk Committee, on the recommendation of the Credit Model Assessment Committee. The Credit Model Assessment Committee approves all other IRB risk measurement models, with all decisions noted to the Credit Risk Committee. The Credit Model Assessment Committee supports the Credit Risk Committee in ensuring risk identification and measurement capabilities are objective and consistent, so that risk control and risk origination decisions are properly informed. Prior to review by the Credit Model Assessment Committee, all IRB models are validated in detail by a model validation team, which is separate from the teams that develop and maintain the models. Models undergo annual periodic review. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process.

Standard Chartered Bank

Risk and Capital review continued

Credit approval and credit risk assessment

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Credit Approval Committee. The Credit Approval Committee is appointed by the Credit Risk Committee and derives its credit approving authority from the Group Risk Committee.

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

All credit proposals are subject to a robust credit risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration is usually based on the client's credit quality and the repayment capacity from operating cash flows for counterparties; and personal income or wealth for individual borrowers. The risk assessment gives due consideration to the client's liquidity and leverage position. Where applicable, the assessment includes a detailed analysis of the credit risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default. Lending activities that are considered as higher risk or non-standard are subjected to stricter minimum requirements and require escalation to a senior credit officer or authorised bodies. An analysis of the loan portfolio is set out on pages 53 to 55.

Credit concentration risk

Credit concentration risk may arise from a single large exposure to a counterparty or a group of connected counterparties, or from multiple exposures across the portfolio that are closely correlated.

Large exposure concentration risk is managed through concentration limits set by counterparty or group of connected counterparties.

At the portfolio level, credit concentration thresholds are set and monitored to control concentrations, where appropriate, by country, industry, product, tenor, collateral type, collateralisation level and credit risk profile.

For concentrations that are material at a Group level, thresholds are set and monitored by the Credit Risk Committee and reported to the Group Risk and Board Risk Committees.

Credit risk mitigation

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

The Group credit risk mitigation policy determines the key considerations for eligibility, enforceability and effectiveness of credit risk mitigation arrangements.

The Group has policies and procedures in place setting out

the criteria for collateral to be recognised as a credit risk mitigant, including requirements concerning legal certainty, priority, concentration, correlation, liquidity and valuation parameters such as frequency of review and independence.

Collateral types that are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. The Group also enters into collateralised reverse repurchase agreements.

In order to be recognised as security and for the loan to be classified as secured, all items pledged must be valued independently and an active secondary resale market for the collateral must exist. Documentation must be held to enable the Group to realise the asset without the cooperation of the asset owner in the event that this is necessary. The Group also seeks to diversify its collateral holdings across asset classes and markets.

For certain types of lending, typically mortgages or asset financing where a first charge over the risk mitigant must be attained, the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default. The requirement for collateral is, however, not a substitute for the ability to pay, which is the primary consideration for any lending decisions.

Regular valuation of collateral is required in accordance with the Group's credit risk mitigation policy, which prescribes both the process of valuation and the frequency of valuation for different collateral types. The collateral must be independently valued prior to drawdown and regularly thereafter. The valuation frequency is typically annually and more frequent valuations are driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Risk mitigation benefits may be removed where the collateral value is not supported by a recent independent valuation.

For financial collateral to be eligible for recognition, the risk mitigant relied upon must be sufficiently liquid and their value over time sufficiently stable to provide appropriate certainty as to the credit protection achieved. Stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks in those portfolios. Physical collateral is required to be insured at all times against risk of physical loss or damage; insurance for other risks is kept under review.

Collateral values are, where appropriate, adjusted to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of possession.

Where guarantees or credit derivatives are used as credit risk mitigation, the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty. The main types of guarantors include banks, insurance companies, parent companies, shareholders and export credit agencies.

Traded products

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

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

The Group uses bilateral and multilateral netting to reduce pre-settlement and settlement counterparty risk. Pre-settlement

Risk and Capital review continued

risk exposures are normally netted using bilateral netting documentation in legally approved jurisdictions. Settlement exposures are generally netted using Delivery versus Payments or Payment versus Payments systems. Master netting agreements are generally enforced only in the event of default. In line with International Accounting Standards (IAS) 32, derivative exposures are presented on a net basis in the financial statements only if there is a legal right to offset and there is intent to settle on a net basis or realise the assets and liabilities simultaneously.

In addition, we enter into credit support annexes (CSAs) with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Further details on CSAs are set out on page 70.

Securities

The portfolio limits and parameters for the underwriting and purchase of all predefined securities assets to be held for sale are approved by the Underwriting Committee. The Underwriting Committee is established under the authority of the Credit Risk Committee. The business operates within set limits, which include country, single issuer, holding period and credit grade limits.

Day-to-day credit risk management activities for traded securities are carried out by a specialist team within the Risk function whose activities include oversight and approval within the levels delegated by the Underwriting Committee. Issuer credit risk, including settlement and pre-settlement risk, and price risk are controlled by the Risk function.

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

Credit monitoring

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

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

Credit risk committees meet regularly to assess the impact of external events and trends on the Group's credit risk portfolios and to define and implement our response in terms of appropriate changes to portfolio shape, portfolio and underwriting standards, risk policy and procedures.

Clients or portfolios are placed on early alert when they display signs of actual or potential weakness, for example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, non-performance of an obligation within the stipulated period, or there are concerns relating to ownership or management.

Such accounts and portfolios are subjected to a dedicated process overseen by Credit Issues Committees in countries. Client account plans and credit grades are re-evaluated. In addition, remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Group Special Assets Management (GSAM), our specialist recovery unit. Typically, all Corporate & Institutional Clients, Commercial Clients and Private Banking Clients past due accounts are

managed by GSAM.

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

Loan impairment

A loan is impaired when we believe that we will not recover a portion of the contractual cash flows. Specific definitions of when a loan is deemed as impaired are discussed in the following sections for Retail Clients as well as Corporate & Institutional, Commercial and Private Banking Clients.

The Group's loan loss provisions are established to recognise incurred impairment losses either on specific loan assets or within a portfolio of loans and advances. Individually impaired loans are those loans against which individual impairment provisions (IIP) have been raised.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Loan losses that have been incurred but have not been separately identified at the balance sheet date are determined by taking into account past loss experience as a result of uncertainties arising from the economic environment, and defaults based on portfolio trends. Actual losses identified could differ significantly from the impairment provisions reported, for example, as a result of uncertainties arising from the economic environment.

The total amount of the Group's impairment provision is inherently uncertain, being sensitive to changes in economic and credit conditions across the geographies in which the Group operates. Economic and credit conditions are interdependent within each geography and as a result there is no single factor to which the Group's loan impairment allowances as a whole are sensitive. It is possible that actual events over the next year differ from the assumptions built into our model, resulting in material adjustments to the carrying amount of loans and advances.

Retail Clients

For Retail Clients' portfolios, an account is considered 'impaired' when it meets certain defined threshold conditions in terms of overdue payments ('contractual impairment') or meets other objective conditions such as bankruptcy, debt restructuring, fraud or death. A loan is considered delinquent (or 'past due'), when the customer has failed to make a principal or interest payment in accordance with the loan contract. These threshold conditions are defined in policy and are set at the point where empirical evidence suggests that the client is unlikely to meet their contractual obligations or a loss of principal is expected.

Portfolio impairment provisions (PIP) cover the inherent losses in the portfolio that exist at the balance sheet date but have not been individually identified. Considerations applied in determining the appropriate level of portfolio provisions include historic loss experience, loss emergence periods, risk indicators such as delinquency rates, and the potential impact of existing external conditions. Some of these factors require

judgemental overlays. PIPs take into account the fact that, while delinquency is an indication of impairment, not all delinquent loans (particularly those in the early stages of delinquency) will in fact be impaired. This will only become apparent with the passage of time and as we investigate the causes of delinquency on a case-by-case basis.

It is on this basis that Retail Client accounts are considered impaired when a credit obligation is at 150 days past due. There are, however, exceptions to this rule for portfolios where empirical evidence suggests that they should be set more conservatively.

The core components of the IIP calculation are the value of gross charge off and recoveries. Gross charge off and/or provisions are recognised when it is established that the account is unlikely to pay, either through past due or any other specific condition. Recovery of unsecured debt post-impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Provision release of secured loans post-impairment is recognised if the loan outstanding is paid in full (release of full provision), or the provision is higher than the loan outstanding (release of the excess provision), or the loan is paid to current and remains in current for more than 180 days (release of full provision).

For further details on Retail Clients see page 71.

Corporate & Institutional and Commercial and Private Banking Clients

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

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

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

As with Retail Clients, a PIP is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. This is set with reference to historical loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The PIP methodology provides for accounts for which an IIP has not been raised.

For further details on Corporate & Institutional, Commercial and Private Banking Clients see page 71.

Renegotiated and forbore loans

In certain circumstances, the Group may renegotiate client loans.

Loans that are renegotiated for commercial reasons, such as when a client had a credit rating upgrade, are not included as

part of renegotiated and forbore loans because they are not indicative of any credit stress.

Loans that are renegotiated primarily to grant extended tenor to a client who is facing some difficulties but who we do not believe is impaired are reported as 'Other renegotiated loans'. Loans that are renegotiated on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans, are considered to be subject to forbearance strategies and are disclosed as 'Loans subject to forbearance', which is a sub set of impaired loans.

Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the bank or a third party (including government-sponsored programmes or a conglomerate of credit institutions) and includes debt restructuring, such as a new repayment schedule, payment deferrals, tenor extensions and interest only payments.

Once a loan is subject to forbearance or is renegotiated, the loan continues to be reported as such, until the loan matures or is otherwise derecognised.

For Retail Clients, all loans subject to forbearance (in addition to other renegotiated loans) are managed within a separate portfolio. If such loans subsequently become past due, charge-off and IIP is accelerated to 90 days past due for unsecured loans and automobile finance or 120 days past due for secured loans. The accelerated loss rates applied to this portfolio are derived from experience with other renegotiated loans, rather than the Retail Clients portfolio as a whole, to recognise the greater degree of inherent risk.

For Corporate & Institutional, Commercial and Private Banking Clients, forbearance and other renegotiations are applied on a case-by-case basis and are not subject to business-wide programmes. In some cases, a new loan is granted as part of the restructure, in others, the contractual terms and repayment of the existing loans are changed or extended (for example, interest-only for a period).

Loans classified as subject to forbearance are managed by GSAM and are kept under close review to assess the client's ability to adhere to the restructured repayment strategy and to identify any events that could result in a deterioration in the client's ability to repay.

If the terms of the renegotiation are such that, where the present value of the new cash flows is lower than the present value of the original cash flows, the loan would be considered to be impaired and, at a minimum, a discount provision would be raised and shown under loans subject to forbearance. These accounts are monitored as described on page 142.

Renegotiated and forbore loans are disclosed by client segments on pages 72 to 75

Country cross-border risk (unaudited)

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

The Group Risk Committee is responsible for our country cross-border risk limits and delegates the setting and management of those limits to the Group Country Risk function. The business heads and country chief executive officers manage exposures within these limits and policies.

Risk and Capital review continued

Countries designated as higher risk are subject to increased central monitoring.

Assets that generate country cross-border exposure are those where the main source of repayment or security is derived from a country other than the country in which the asset is booked. These cover a wide range of products, including loans and advances, interest-bearing deposits with other banks, trade and other bills, acceptances, amounts receivable under finance leases, derivatives, certificates of deposit and other negotiable paper, investment securities and formal commitments. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency and local-currency assets funded by intra-group funding. Cross-border exposure also includes the value of commodity, aircraft and shipping assets owned by the Group that are held in a given country.

Market risk

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Group's exposure to market risk arises predominantly from providing clients access to financial markets, facilitation of which entails the Group taking moderate market risk positions. All trading teams support client activity; there are no proprietary trading teams. Hence, income earned from market risk-related activities is primarily driven by the volume of client activity rather than risk-taking. Market risk also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high-quality liquid debt securities and from the translation of non-US dollar denominated assets, liabilities and earnings.

The primary categories of market risk for the Group are:

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

Market risk governance

The Board approves the Group's risk tolerances for market risk. Subject to the risk tolerances set for market risk, the Group Risk Committee sets Group-level market risk limits and stress loss triggers.

The Market and Traded Credit Risk Committee, under authority ultimately delegated by the Group Risk Committee is responsible for setting business and desk-level value at risk (VaR) and stress loss triggers for market risk within the levels set by the Group Risk Committee. The Market and Traded Credit Risk Committee is also responsible for policies and standards for the control of market risk and overseeing their ongoing effectiveness. These policies cover both trading and non-trading books of the Group.

The Market and Traded Credit Risk function approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk

management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the option's value.

VaR

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

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

We apply two VaR methodologies:

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

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

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

A small proportion of market risk generated by trading positions is not included in VaR or cannot be appropriately captured by VaR. This is recognised through a Risks-not-in-VaR (RNIV) framework, which estimates these risks and applies capital add-ons.

To assess their predictive power, VaR models are backtested against actual results.

See an analysis of VaR and backtesting results in 2015 on pages 106 to 110.

Stress testing

Losses beyond the 97.5 per cent confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations.

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

Standard Chartered Bank

Risk and Capital review continued

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

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The Market and Traded Credit Risk function reviews stress exposures and, where necessary, enforces reductions in overall market risk exposure. The Group Risk Committee considers the results of stress tests as part of its supervision of risk tolerance.

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

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

Market risk VaR coverage

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

VaR and stress tests are therefore applied to these non-trading book exposures (except Group Treasury, see below) in the same way as for the trading book, including available-for-sale securities. Securities classed as Loans and Receivables or Held-to-maturity are not reflected in VaR or stress tests since they are accounted for on an amortised cost basis, so market price movements have limited effect on either profit and loss or reserves.

Structural foreign exchange risks are managed by Group Treasury, as described below, and are not included within Group VaR. Otherwise, the non-trading book does not run open foreign exchange positions.

Equity risk relating to non-listed private equity and strategic investments is not included within VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee.

These are included as Level 3 assets, as disclosed in note 15 to the financial statements

Group Treasury market risk

Group Treasury raises debt and equity capital and the proceeds are placed with ALM. Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements. This risk is measured as the impact on net interest income (NII) of an unexpected and instantaneous adverse parallel shift in rates and is monitored over a rolling one-year time horizon. Further details are disclosed on page 112 of the Risk profile section.

These risks are monitored and controlled by the Group's Capital Management Committee.

Group Treasury also manages the structural foreign exchange risk that arises from non-US dollar currency net investments in branches and subsidiaries. The impact of foreign exchange movements is taken to reserves which form part of the capital base. The effect of exchange rate movements on the capital

ratio is partially mitigated by the fact that both the value of these investments and the risk-weighted assets in those currencies follow broadly the same exchange rate movements. With the approval of the Capital Management Committee, Group Treasury may hedge the net investments if it is anticipated that the capital ratio will be materially affected by exchange rate movements. Changes in the valuation of these positions are taken to reserves. Further details are disclosed on page 112 of the Risk profile section.

Derivatives

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

Our derivative transactions are principally in instruments where the mark-to-market values are readily determinable by reference to independent prices and valuation quotes. See details of the Group's derivative financial instruments in note 17 on pages 232 and 235.

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

Derivatives are carried at fair value and shown in the balance sheet as separate totals of assets and liabilities when there is no legal right to offset and no intent to settle on a net basis or realise the assets and liabilities simultaneously. Recognition of fair value gains and losses depends on whether the derivatives are classified as trading or held for hedging purposes.

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to financial institutions and corporate clients. This is covered in more detail in the Credit risk section on pages 50 to 52.

Hedging

The Group use futures, forwards, swaps and options primarily to mitigate interest and foreign exchange risk arising from in-country exposures. See details of the Group's derivatives held for hedging in note 17 on pages 233 to 235.

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

We may also, under certain individually approved circumstances, enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment, and which are accordingly marked-to-market through the profit and loss account, thereby creating an accounting asymmetry. These are entered into primarily to ensure that residual interest rate and foreign exchange risks are being effectively managed. Current economic hedge relationships include hedging the foreign exchange risk on certain debt issuances and on other monetary instruments held in currencies other than dollars.

Liquidity risk

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

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

The Board establishes tolerances for liquidity risk, which are cascaded to the business for day-to-day management. The Group Asset and Liability Committee approves liquidity risk policies and is responsible for setting or delegating authority to set liquidity limits, within the Board's tolerance. The Liquidity Management Committee currently receives authority from the Group Asset and Liability Committee and is responsible for proposing liquidity risk policies. Liquidity in each country is managed by the country Asset and Liability Committee, supported by the ALM function. Countries operate within predefined liquidity limits and in compliance with Group liquidity policies and practices, as well as local regulatory requirements. Market and Traded Credit Risk and Group Treasury propose and oversee the implementation of policies and other controls relating to liquidity risks.

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

Customer assets are, as far as possible, funded in the same currency. Where mismatches arise, they are controlled by limits in each country on the amount of foreign currency that can be swapped to local currency and vice versa. Such limits control the risk that obligations could not be met in the required currency in the event that access to foreign exchange markets becomes restricted. In sizing the limits we consider a range of factors including the size and depth of local foreign exchange markets and the local regulatory environment.

Liquidity risk framework

The Board sets liquidity risk tolerance levels for liquidity stress survival horizons, short-term wholesale borrowing, minimum advances-to-deposits and liquidity coverage ratios. The Group Asset and Liability Committee may set risk appetite levels such that the Group operates within the Board's tolerance.

For stress survival horizons, the Board's tolerance reflects the Group's specific structure, which comprises a number of large presence countries that are systemically important, both to the Group and the global economy, as well as a large number of smaller presence countries whose liquidity is less material to the Group but which may be primarily at risk in a local systemic stress. The Group intends to maintain a prudent and sustainable funding and liquidity position, in all presence countries and currencies, such that it can withstand severe liquidity stress:

- Across major presence countries, the Group intends to be able to meet its payment and collateral obligations for at least 60 days in a combined name-specific and market-wide liquidity stress, without recourse to extraordinary central bank support
- In smaller presence countries, each operating entity should be able to meet its payment and collateral obligations for at least 60 days in the event of a systemic market-wide stress in that country, without implicit reliance on Group support

In accordance with Group Asset and Liability Committee policies, there are further limits set for each country on:

- The local and foreign currency cash flow gaps
- The level of borrowing from other countries within the Group, to contain the risk of contagion from one country to another
- Commitments, to ensure there are sufficient funds available in the event of drawdown
- The amount of assets that may be funded from other currencies
- The amount of medium-term assets that have to be funded by medium-term funding

All limits are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a regular basis by Market and Traded Credit Risk and Group Treasury. Limit excesses are escalated and approved under a delegated authority structure and reported to the country Asset and Liability Committee. Excesses are also reported monthly to the Liquidity Management Committee and if necessary to the Group Asset and Liability Committee and the Board Risk Committee.

We have significant levels of marketable securities, including government securities that can be monetised or pledged as collateral in the event of a liquidity stress. In addition, a Funding Crisis Response and Recovery Plan (FCRRP), reviewed and approved annually, is maintained by Group Treasury. The FCRRP also includes a broad set of Early Warning Indicators (EWIs), an escalation framework and a set of management actions that could be effectively implemented by the appropriate level of senior management in the event of a liquidity stress. A similar plan is maintained within each major country.

Risk and Capital review continued

Stress testing

In addition to monitoring the Board's stress survival horizon metrics described above, the Group conducts a range of liquidity-related stress analyses, both for internal and regulatory purposes.

Internally, at country level a more granular analysis of survival horizons considers potential currency mismatches between stress outflows and inflows. Particular focus is paid to mismatches in less liquid currencies and those that are not freely convertible. This is overseen by country Asset and Liability Committees. Group-wide stress tests also consider the portability of liquidity surpluses between major presence countries, taking account of regulatory restrictions on cross-border movement of funds and intra-group exposures. A severe eight-day name-specific stress is also run routinely, as well as a 30-day stress that is run in major presence countries to test resilience to market-wide disruption, such as in interbank money or foreign exchange markets. Liquidity risks are also considered as part of the Group's wider periodic scenario analysis, including reverse stress testing. The Group also runs a range of stress tests to meet regulatory requirements, as defined by the PRA and local regulators.

Country stress testing considers potential currency mismatches between outflows and inflows. Particular focus is paid to mismatches in less liquid currencies and those that are not freely convertible. Mismatches are controlled by management action triggers set by Market and Traded Credit Risk. Group-wide stress tests also consider the portability of liquidity surpluses between Group entities, taking account of regulatory restrictions on large and intra-group exposures.

Standard Chartered Bank's credit ratings as at December 2015 were A+ with negative outlook (Fitch), A+ (S&P) and Aa2 (under review: possible downgrade) (Moody's). A downgrade in credit rating would increase derivative collateral requirements and outflows due to rating-linked liabilities. One possible outcome of a two-notch downgrade could be an estimated outflow of \$1.7 billion (unaudited).

Operational risk (unaudited)

We define operational risk as the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks.

As operational risk arises from all activities carried out within the Group, the potential for operational risk events occurring across a large and complex international organisation is a constant challenge. To address this we aim to achieve 'industrial strength' process and control design standards for all activities, and benchmark practices against peers, other industries and regulatory requirements.

Operational risk governance

The Group Risk Committee provides oversight of operational risk management across the Group. It is supported by the Global Business Risk Committee, the Group Functions Operational Risk Committee, the Group Financial Crime Risk Committee and the Group Information Management Governance Committee, which oversee operational risk arising from the global businesses and Group functions, financial crime compliance and information management respectively. These risk committees receive regular reports on the Group's operational risk profile.

Internal organisation – Three Lines of Defence

To implement the operational risk management approach in

the Group, the Group applies the Three Lines of Defence, as set out in the Risk Management Framework and explained on page 137.

The first line of defence has responsibility for identifying and managing all risks within first line processes as an integral part of first line responsibilities.

Group Operational Risk as second line of defence is responsible for setting and maintaining the standards for the operational risk management approach. In addition, the second line of defence comprises both second line risk control owners of each operational risk sub-type and second line Group policy owners.

The third line of defence is the independent assurance provided by the Group Internal Audit function.

Risk tolerance approach

Operational risk is managed within tolerances aligned to achieve the Risk Tolerance Statement approved by the Board. The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.

In order to comply with this statement, the operational risk management approach includes the following requirements:

- The Group will systematically identify top risks and emerging risks with the involvement of senior management and the Board, and define the appropriate treatment which may include business restrictions
- All processes will be mapped and owned with appropriate key control standards defined to mitigate risks
- The Group will not miss any opportunity to learn lessons from internal or external events and will implement relevant mitigation actions
- The Group will systematically test internal capital adequacy through scenario analysis and stress testing

Risk classification

Operational risk sub-types are the different ways that we may be operationally exposed to loss. Each risk sub-type is a grouping of potential losses that are material, and which may arise in different activities or areas of the Group.

The Group uses operational risk sub-types principally as an aid to ensure comprehensive and consistent identification of operational risks, wherever they may arise. Operational risk sub-types are listed in the following table below.

Standard Chartered Bank

Risk and Capital review continued

OPERATIONAL RISK SUB-TYPES	
External rules and regulations	Potential for actual or opportunity loss due to failure to comply with laws or regulations, or as a result of changes in laws or regulations or in their interpretation or application
Liability	Potential for loss or sanction due to a legal claim against any part of the Group or individuals within the Group
Legal enforceability	Potential for loss due to failure to protect legally the Group's interests or from difficulty in enforcing the Group's rights
Damage or loss of physical assets	Potential for loss or damage or denial of use of property or other physical assets
Safety and security	Potential for loss or damage relating to health and safety or physical security
Internal fraud or dishonesty	Potential for loss due to action by staff that is intended to defraud, or to circumvent the law or company policy
External fraud	Potential for loss due to criminal acts by external parties such as fraud or theft of financial assets
Information security	Potential for loss due to unauthorised access, use, disclosure, disruption, modification or destruction of information
Processing failure	Potential for loss due to failure of an established process or a process design weakness
Model	Potential for loss due to a significant discrepancy between the output of credit and market risk measurement models and actual experience Potential for regulatory breach due to a significant discrepancy between the output of financial crime client risk scoring and financial crime transaction monitoring models and actual experience

Operational risk management approach

The Group defines and maintains a complete process universe for all client segments, products and functions processes.

The process universe is the complete list of end-to-end processes that collectively describe the activities of the Group and is the reference for the application of the operational risk management approach.

This represents all Group activities, the owners of these activities, and the risk and control standards that are defined by risk and process owners. It also serves as the foundation for policy delivery, as well as risk identification, measurement, management and reporting. The operational risk management approach requires:

- Industrial strength process design standards are applied to critical processes
- Control tolerance standards are set for each control for quantity, materiality and timeliness of detection and rectification of defects
- All processes are standardised except for regulatory or legitimate system exceptions
- Gross and residual risk assessments by first line and approved by second line
- Risk and control monitoring
- Prompt execution of risk treatment actions to closure

The operational risk management approach has been installed for prioritised risks across all countries as part of the Operational Risk Framework Implementation Programme.

Stress testing

As part of our operational risk management approach, we conduct stress testing by scenario analysis for the Group.

In 2015, we participated in the Bank of England stress test and the annual Internal Capital Adequacy Assessment Process. The exercises included judgemental overlays for the potential risk of low-frequency, high-severity events occurring during stress conditions.

In addition to macroeconomic scenarios, the Operational risk scenario analysis programme reviews concentration of risks across the Group's processes and prioritises low-frequency high-severity scenarios to assess the potential impact that may exceed the Group's risk tolerances. During 2015, the scenario analysis programme conducted 11 scenarios. These scenarios included anti-money laundering, sanctions, information and cyber security and change management.

Conduct

Conduct of business, or conduct, is a term that is used in a broad number of ways across the financial services industry. At its broadest, good conduct is the creation of an appropriate business strategy aligned to our stated risk tolerance and the execution of business in accordance with both. More narrowly, it refers to specific regulations designed to achieve fair outcomes for customers and the effective operation of markets.

Good conduct is evidenced through disciplined adherence to our overall framework of systems and controls outlined in the Risk Management Framework and the standards of individual behaviour set out in the Code of Conduct (the 'Code').

Specifically for operational risk:

- External rules and regulations classifications defined in the Operational Risk Framework include specific

categories of regulation designed to achieve fair outcomes for clients (client conduct) and the effective operation of markets (market conduct). This ensures that each category of regulation is properly classified and aligned to the Group's systems and control structures. Risk control owners and Group policy owners are responsible for defining the Group's minimum standards and controls in respect of each category. The Group's policies and standards may frequently exceed the minimum requirements or expectations of regulators

- Conduct is considered in the Group's top risks (see Risk profile on page 130). The Group aims to prevent the risks of failure to deliver the conduct of business standards expected by the Group's clients, investors and markets in which we operate. Many of the top risks can be driven by poor conduct so the Group is focused on its control standards around these risks.

Reputational risk

Reputational risk is the potential for damage to the Group's franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Group or its actions. Failures in behaviours or systems may affect stakeholders' perceptions of the Group's commitment to its Here for good brand promise. Reputational risk could arise from the failure of the Group to effectively mitigate the risks in its businesses, including one or more of country, credit, liquidity, market, regulatory, legal, strategic or other operational risk. Damage to the Group's reputation could cause existing clients to reduce or cease to do business with the Group and prospective clients to be reluctant to do business with the Group. All employees are responsible for day-to-day identification and management of reputational risk. These responsibilities form part of the Code and are further embedded through values-based performance assessments. Risk control owners must identify material reputational risks arising from any business activity or transaction that they control and ensure that these are escalated and controlled in accordance with the Group's Reputational Risk Policy and applicable procedures.

Our reputational risk framework covers two areas. Reputational risk management refers to proactively avoiding or mitigating the potential damage that might result from a future reputational risk event (ex ante). Reputational issues management and crisis communication refers to measures to limit damage from a reputational risk event that has already occurred (ex post).

Reputational risk may also arise from a failure to comply with environmental and social standards in our relationship with clients and in our financing decisions. Environmental risk is the potential for material harm or degradation to the natural environment, while social risk is the potential to cause material harm to individuals or communities. Environmental and social risks associated with clients are a key area of risk for the Group and we have continued to develop and enhance our approach to managing such risks since 1997.

Reflecting the differing regulatory and legislative frameworks applicable to clients in the Group's markets, we have global sector-specific environmental and social (E&S) standards as set out in our 17 sectoral and three thematic position statements. We apply these in the provision of financial services to clients who operate in sectors presenting specific risks, and for key issues. These are underpinned by the Equator Principles and the IFC

Performance Standards.

The Group recognises that stakeholder expectations of our environmental and social risk management will change over time. As such we seek to explain our approach and standards via our position statements, and to ensure they remain appropriate through active monitoring.

We take our position statement commitments seriously. To ensure we deliver our commitments, we embed these requirements through our core banking processes. We have mechanisms in our origination and credit processes to identify and assess environmental and social risks in accordance with our standards. We have a dedicated Environmental and Social Risk Management (ESRM) team that reviews clients and proposed transactions that present specific risks.

For more information on our environment and social risk assessment please refer to on.sc.com/eandsrisk

In 2015, the ESRM team reviewed over 480 client relationships and transactions across a range of Position Statement sectors. For all risks identified, we seek to develop effective mitigating measures. Where this is not possible, transactions have been, and will continue to be, turned down. In 2015, we trained more than 1,700 staff on our requirements and processes.

We believe in working collaboratively to achieve sustainability goals. This includes working with clients, other financial institutions and industry bodies to promote, develop and encourage leading E&S standards. In 2015, we were pleased to join the Banking Environment Initiative and continued our work as a member of the Equator Principles Steering Committee.

The Group Risk Committee provides Group-wide oversight on reputational risk, sets policy and monitors material risks. The Group Head of Corporate Affairs is the overall risk control owner for reputational risk. The Brand, Values and Conduct and Board Risk Committees provide additional oversight of reputational risk on behalf of the Board. At the business level, the Business Responsibility and Reputational Risk Committee has responsibility for managing reputational risk.

At country level, the Country Head of Corporate Affairs is the risk control owner of reputational risk. It is his or her responsibility to protect our reputation in that market with the support of the Country Management Group. The Head of Corporate Affairs and Country Chief Executive Officer must actively:

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

Pension risk (unaudited)

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes. Standard Chartered offers defined contribution pension plans for new hires in most locations, and only maintains defined benefit plans where required by law, contract or for closed groups of long-serving employees. The Group monitors and manages both the pension financial risks stemming from its legacy defined benefit schemes and the operational and reputational risks of all its pension arrangements. In doing this the Group has primary regard to its capital position, and the relative costs and benefits of reducing or removing its risk exposure.

The Group's primary pension risk measures are updates, at least quarterly, of the accounting balance sheet position, the 1-in-200 year stress test required annually by the PRA, and the funding position of the UK Fund (over 60 per cent of the Group's pension liabilities). The Group mitigates pension risk via a Group Pension Risk Policy which requires all new plans to be defined contribution where possible, and mandates standards around investments, benefit changes, funding, documentation, actuarial valuations, accounts and auditing. Adherence to these standards is assured by an annual governance review.

The Group Pension Risk Committee is the body responsible for governance of pension risk and it receives its authority from the Group Risk Committee. From 2016, the risk control owner of pension risk will assume these responsibilities directly.

Strategic risk (unaudited)

Strategic risk is the potential for opportunity loss from failure to optimise the earnings potential of the Group's franchise. Opportunity losses could arise because a business decision does not deliver the expected profit and returns, or because a decision is not taken, which leads to lost opportunities.

Strategic risk can give rise to differences in the Group's earnings as compared with market expectations and competitor performance. This can significantly impact the Group's share price. If strategic risks materialise, we have the ability to take mitigating actions by adapting execution of the strategy and/or managing the Group's capital position.

As the ultimate governance body for the Group, the Board challenges the Group's strategy and highlights potential underlying risks. The Global Head of Strategy is the risk control owner for strategic risk. Given that strategic risk primarily arises from the failure to make well made and timely decisions, strategic risk is managed where decisions are made. The Regional, Country and Segment CEOs and the Heads of Functions are responsible for the identification of strategic risks.

Group level strategic risks are systematically reviewed during the Group's annual strategy review process and follow-up 'deep dives' throughout the year on topics agreed with the Board. A major Group level strategic review was undertaken in 2015. Execution of the strategic plan is managed through the Group's performance management process.

Standard Chartered Bank

Risk and Capital review continued

Capital Management & Governance

Standard Chartered Bank is a regulated entity. Capital management and governance as described below applies to the Group's regulated consolidations and entities. The Group seeks to maintain a strong capital base to support the development of its business and to meet regulatory capital and leverage requirements

Strategic, business and capital plans are drawn up covering a five year horizon and are approved by the Board of Standard Chartered PLC (the Board). The capital plan ensures that adequate levels of capital and an efficient mix of the different components of capital are maintained to support our strategy and business plans. Group Treasury is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

The capital plan takes the following into account:

- Current regulatory capital requirements and our assessment of future standards
- Demand for capital due to business outlook, loan impairment outlook and potential market shocks or stresses
- Available supply of capital and capital raising options

The Group formulates a capital plan with the help of internal models and other quantitative techniques. The Group uses a capital model to assess the capital demand for material risks, and supports this with our internal capital adequacy assessment. Other internal models help to estimate potential future losses arising from credit, market and other risks and, using regulatory formulae, the amount of capital required to support them. In addition, the models enable the Group to gain an enhanced understanding of its risk profile, for example by identifying potential concentrations and assessing the impact of portfolio management actions. Stress testing and scenario analysis are an integral part of capital planning, and are used to ensure that the Group's internal capital adequacy assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events and how these could be mitigated through appropriate management actions. The capital modelling process is a key part of our management discipline.

A strong governance and process framework is embedded in our capital planning and assessment methodology. The key capital management committee is the Group Asset and Liability Committee (GALCO). In 2015, members of the GALCO included the Group Executive Directors and the Group Chief Risk Officer with senior attendees from Group Treasury, Finance, Risk and the businesses. The GALCO regularly reviews the capital plan and approves capital management policies and guidelines.

Following a review in 2015, a change to the key capital management committees is being implemented in 2016. The GALCO membership of Standard Chartered PLC will be expanded to include the Group Treasurer and the Deputy Group Chief Financial Officer, as well as other senior members from the Management Team and the businesses. The remit of the GALCO will not change

significantly, however, certain policies currently approved by GALCO will fall under the remit of the Group Chief Financial Officer with input from the Group Treasurer. The responsibilities previously delegated from GALCO to the Capital Management Committee will be moved to the newly-created Operational Balance Sheet Committee (OBSC) which will focus on ensuring that, in executing the business strategy, the Group operates within internally approved and externally required capital, loss absorbing capacity, liquidity and leverage risk tolerances.

The Group's capital position, including its relationship to the Group's risk appetite statement, is regularly considered by the Board Risk Committee (BRC). At a country level, capital is monitored by the Country Asset and Liability Committee (ALCO). Appropriate policies are in place governing the transfer of capital within the Group.

The Group's view is that, in light of the uncertain economic environment and continuing uncertainty as to the end state for banks' regulatory capital and other loss absorbency requirements, it is appropriate to remain both strongly capitalised and well above regulatory requirements.

The capital that the Group is required to hold is determined by its balance sheet, off-balance sheet, counterparty and other risk exposures.

Further detail on counterparty and risk exposures is included in the Risk and Capital review on page 140.

Capital in branches and subsidiaries is maintained on the basis of host regulators' requirements and the Group's assessment of capital requirements under normal and stress conditions. Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory requirements in all Group entities. These processes are designed to ensure that we have sufficient capital available to meet local regulatory capital requirements.

Standard Chartered Bank is authorised by the PRA and regulated by the Financial Conduct Authority and the PRA as Standard Chartered Bank (Solo Consolidated). The Group operates through branches and a number of significant subsidiaries including Standard Chartered Bank, Standard Chartered Bank (HK) Limited and Standard Chartered Bank Korea Limited. These subsidiaries are subject to local regulation and therefore, may be subject to different rules relating to capital and RWA requirements and the implementation and phasing of Basel III. The Group's 2015 Pillar 3 Disclosures provide further details on these subsidiaries.

Standard Chartered Bank

Risk and Capital review continued

Capital ratios	2015	2014
CET 1	11.7%	10.5%
Total capital	18.3%	16.4%

CRD IV Capital base

	\$million	\$million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	23,032	21,150
Of which: Share premium accounts	296	296
Retained earnings and other reserves	16,513	22,028
Non-controlling interests (amount allowed in consolidated CET1)	2,326	1,565
Foreseeable dividends net of scrip	(115)	(1,160)
CET1 capital before regulatory adjustments	41,756	43,583
CET1 regulatory adjustments		
Additional value adjustments	(564)	(200)
Intangible assets (net of related tax liability)	(4,395)	(5,041)
Deferred tax assets that rely on future profitability	(212)	(180)
Fair value reserves related to gains or losses on cash flow hedges	38	58
Negative amounts resulting from the calculation of expected loss	(567)	(1,717)
Gains or losses on liabilities at fair value resulting from changes in own credit	(630)	(167)
Defined-benefit pension fund assets	(4)	(13)
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(34)	(9)
Exposure amounts which could qualify for risk weighting	(200)	(199)
Of which: securitisation positions	(168)	(177)
Of which: free deliveries	(32)	(22)
Regulatory adjustments relating to unrealised gains	-	(469)
Total regulatory adjustments to CET1	(6,568)	(7,937)
CET 1	35,188	35,646
Additional Tier 1 capital (AT1) instruments	4,472	2,434
AT1 regulatory adjustments	(20)	-
Tier 1 capital	39,640	38,080
Tier 2 capital instruments	15,364	17,810
Tier 2 regulatory adjustments	(30)	(11)
Tier 2	15,334	17,799
Total capital	54,974	55,879
Credit Risk	244,000	284,361
Operational Risk	34,201	35,186
Market Risk	21,913	20,295
Total risk-weighted assets transitional	300,114	339,842

Standard Chartered Bank

Report of the Directors

Directors' Report

The directors present their report and the audited financial statements of Standard Chartered Bank and its subsidiaries (the 'Group') and Standard Chartered Bank (the 'Company') for the year ended 31 December 2015.

Activities

The activities of the Group are banking and providing other financial services. The Financial Review on pages 18 to 44 contains a review of the business during 2015.

Post balance sheet events

In addition to the post balance sheet event disclosed in note 42 to the accounts, on 7 January 2016 the Company's ultimate parent Standard Chartered PLC announced the retirement of Mike Rees as Deputy Group Chief Executive on 30 April 2016. Mr Rees will also resign as a Director of the Company on or prior to this date.

Financial instruments

Details of financial instruments are given in note 15 to the accounts.

Results and dividends

The results for the year are given in the income statement on page 160.

Interim dividends totalling \$551 million were paid to ordinary shareholders during the year (2014: \$1,208 million). The directors do not recommend the payment of a final dividend (2014: \$nil).

Share capital

Details of the Company's share capital are given in note 33 to the accounts.

Loan capital

Details of the loan capital are given in note 30 to the accounts.

Property, plant and equipment

Details of the property, plant and equipment of the Company are given in note 26 to the accounts.

Directors and their interests

The directors of the Company during the year were as follows:

Mr P A Sands (resigned 10 June 2015)

Mr W T Winters (appointed 10 June 2015)

Mr J S Bindra (resigned 30 June 2015)

Mrs T J Clarke

Mr R F Goulding (resigned 1 July 2015)

Mr A N Halford

Mr A M G Rees

Mr V Shankar (resigned 30 June 2015)

Mr J P M F Verplancke (resigned 31 March 2015)

None of the directors have a beneficial or non-beneficial interest in the shares of the Company or in any of its subsidiary undertakings.

Details of directors' pay and benefits are disclosed in note 14 to the accounts.

All of the directors as at 31 December 2015, except for Mrs Clarke are directors of the Company's ultimate holding company, Standard Chartered PLC, and their interests in the share capital of that company are shown in its report and accounts.

Directors' Interests in Standard Chartered PLC Ordinary Shares

Directors	At 1 January 2015 Total interests	At 31 December 2015 Total interests
T J Clarke	103,670	178,713
Mr R F Goulding ¹	168,040	212,033
Mr J P M F Verplancke ¹	122,837	151,380

¹ Mr J P M F Verplancke resigned as a director on 31 March 2015 and Mr R F Goulding resigned as a director on 1 July 2015. Their interests represent their holdings on resignation

Standard Chartered Bank

Report of the Directors continued

Share Awards

Standard Chartered PLC operates a number of share based arrangements for its directors and employees. Details of these arrangements are included in note 35 to the accounts.

Scheme interests awarded in 2015

	Grant date	As at 1 January 2015	Awarded during the year	Dividend shares	Adjustment for rights issue	Exercised during the year ¹	Lapsed during the year	As at 31 December 2015 ²	End of performance period or first vesting date	Last vesting date
T J Clarke										
LTIP 2012-2014	13-Mar-12	76,273	-	-	-	(7,627)	(68,646)	-	31-Dec-14	13-Mar-15
LTIP 2013-2015	11-Mar-13	80,237	-	-	4,063	-	-	84,300	31-Dec-15	11-Mar-13
LTIP 2014-2016	13-Mar-14	92,100	-	-	4,664	-	-	96,764	31-Dec-16	13-Mar-17
LTIP 2015-2017	19-Mar-15	-	20,562	-	1,041	-	-	21,603	31-Dec-17	13-Mar-20
Deferred shares 2011	13-Mar-12	9,726	-	501	-	(10,227)	-	-	13-Mar-15	13-Mar-15
Deferred shares 2012	11-Mar-13	8,138	-	420	-	(8,558)	-	-	11-Mar-15	11-Mar-15
		8,141	-	418	433	-	-	8,992	11-Mar-16	11-Mar-16
Deferred shares 2013	13-Mar-14	8,966	-	462	-	(9,428)	-	-	13-Mar-15	13-Mar-15
		8,966	-	462	475	-	-	9,903	13-Mar-16	13-Mar-16
		8,971	-	462	480	-	-	9,913	13-Mar-17	13-Mar-17
Deferred shares 2014	19-Mar-15	-	9,320	-	472	-	-	9,792	19-Mar-16	19-Mar-16
		-	9,320	-	472	-	-	9,792	19-Mar-17	19-Mar-17
		-	9,324	-	472	-	-	9,796	19-Mar-18	19-Mar-18
Underpin shares 2015-2017	19-Mar-15	-	10,281	-	520	-	-	10,801	31-Dec-17	19-Mar-18
	19-Mar-15	-	10,281	-	520	-	-	10,801	31-Dec-17	19-Mar-20
Sharesave	04-Oct-10	1,040	-	-	52	-	(1,092)	-	01-Dec-15	-

¹. All exercises were made on 13 March 2015 on which date the closing price was £9.09

². All balances are as at 31 December 2015 or on the retirement of a director (i.e. 1 July 2015 for Richard Goulding and 31 March 2015 for Jan Verplancke). There were no changes to any directors' scheme interests in ordinary shares between 31 December 2015 and 22 February 2016

Standard Chartered Bank

Report of the Directors continued

	Grant date	As at 1 January 2015	Awarded during the year	Dividend shares	Adjustment for rights issue	Exercised during the year ¹	Lapsed during the year	Closing balance ²	End of performance period or first vesting date	Last vesting date
R Goulding										
LTIP 2012-2014	13-Mar-12	94,826	-	-	-	(9,482)	(85,344)	-	31-Dec-14	13-Mar-15
LTIP 2013-2015	11-Mar-13	78,454	-	-	-	-	-	78,454	31-Dec-15	11-Mar-13
LTIP 2014-2016	13-Mar-14	84,829	-	-	-	-	-	84,829	31-Dec-16	13-Mar-17
LTIP 2015-2017	19-Mar-15	-	15,509	-	-	-	-	15,509	31-Dec-17	13-Mar-20
Deferred shares 2011	13-Mar-12	12,378	-	637	-	(13,015)	-	-	13-Mar-15	13-Mar-15
Deferred shares 2012	11-Mar-13	9,618	-	495	-	(10,113)	-	-	11-Mar-15	11-Mar-15
		9,620	-	496	-	-	-	10,116	11-Mar-16	11-Mar-16
Deferred shares 2013	13-Mar-14	9,452	-	486	-	(9,938)	-	-	13-Mar-15	13-Mar-15
		9,451	-	486	-	-	-	9,937	13-Mar-16	13-Mar-16
		9,454	-	488	-	-	-	9,942	13-Mar-17	13-Mar-17
Deferred shares 2014	19-Mar-15	-	7,031	-	-	-	-	7,031	19-Mar-16	19-Mar-16
		-	7,031	-	-	-	-	7,031	19-Mar-17	19-Mar-17
		-	7,031	-	-	-	-	7,031	19-Mar-18	19-Mar-18
Underpin shares 2015-2017	19-Mar-15	-	7,754	-	-	-	-	7,754	31-Dec-17	19-Mar-18
	19-Mar-15	-	7,754	-	-	-	-	7,754	31-Dec-17	19-Mar-20
Sharesave	04-Oct-11	1,429	-	-	-	-	-	1,429	01-Dec-16	-

¹. All exercises were made on 13 March 2015 on which date the closing price was £9.09

². All balances are as at 31 December 2015 or on the retirement of a director (i.e. 1 July 2015 for Richard Goulding and 31 March 2015 for Jan Verplancke). There were no changes to any directors' scheme interests in ordinary shares between 31 December 2015 and 22 February 2016

Standard Chartered Bank

Report of the Directors continued

	Grant date	As at 1 January 2015	Awarded during the year	Dividend shares	Adjustment for rights issue	Exercised during the year	Lapsed during the year	Closing balance ²	End of performance period or first vesting date	Last vesting date
J Verplancke										
LTIP 2012-2014	13-Mar-12	90,703	-	-	-	-	(81,633)	9,070	31-Dec-14	13-Mar-15
LTIP 2013-2015	11-Mar-13	82,020	-	-	-	-	-	82,020	31-Dec-15	11-Mar-13
LTIP 2014-2016	13-Mar-14	93,312	-	-	-	-	-	93,312	31-Dec-16	13-Mar-17
LTIP 2015-2017	19-Mar-15	-	20,562	-	-	-	-	20,562	31-Dec-17	13-Mar-20
Deferred shares 2011	13-Mar-12	12,378	-	637	-	-	-	13,015	13-Mar-15	13-Mar-15
Deferred shares 2012	11-Mar-13	10,358	-	533	-	-	-	10,891	11-Mar-15	11-Mar-15
		10,360	-	534	-	-	-	10,894	11-Mar-16	11-Mar-16
Deferred shares 2013	13-Mar-14	11,147	-	574	-	-	-	11,721	13-Mar-15	13-Mar-15
		11,148	-	574	-	-	-	11,722	13-Mar-16	13-Mar-16
		11,151	-	574	-	-	-	11,725	13-Mar-17	13-Mar-17
Deferred shares 2014	19-Mar-15	-	9,321	-	-	-	-	9,321	19-Mar-16	19-Mar-16
		-	9,321	-	-	-	-	9,321	19-Mar-17	19-Mar-17
		-	9,322	-	-	-	-	9,322	19-Mar-18	19-Mar-18
Underpin shares 2015-2017	19-Mar-15	-	10,281	-	-	-	-	10,281	31-Dec-17	19-Mar-18
	19-Mar-15	-	10,281	-	-	-	-	10,281	31-Dec-17	19-Mar-20

¹. All exercises were made on 13 March 2015 on which date the closing price was £9.09

². All balances are as at 31 December 2015 or on the retirement of a director (i.e. 1 July 2015 for Richard Goulding and 31 March 2015 for Jan Verplancke). There were no changes to any directors' scheme interests in ordinary shares between 31 December 2015 and 22 February 2016

Standard Chartered Bank

Report of the Directors continued

Going concern

Having made appropriate enquiries, the Board is satisfied that the Company and the Group as a whole have adequate resources to continue operational businesses for a period of at least 12 months from the date of this report and therefore continue to adopt the going concern basis in preparing the financial statements.

Significant contracts

There were no contracts of significance during the year in which any of the directors were materially interested.

Areas of operation

The Company operates through branches and subsidiaries in Asia, the Middle East, Africa, Europe and the Americas.

Related party transactions

Details of transactions with directors and officers and other related parties are set out in note 43 to the financial statements

Employee Policies and engagement

With 83,868 employees representing 135 nationalities across 67 markets, the Group has a number of communication mechanisms that inform employees about matters affecting or of interest to them. A mix of communications channels is used to inform employees of key business activity at a global, regional and business level. The primary channel is the Bridge, the Group's new intranet and business collaboration platform, which is available to over 96 per cent of employees across 67 markets. This new tool allows staff to collaborate and share ideas, and comment on global stories. The Bridge is supported by Group and local newsletters, a single global screensaver, targeted audio calls – for business area or management level – videos and town hall events. Business or time-critical information can be sent directly to employee inboxes through a measurable email marketing platform.

This mix ensures that employees receive relevant information promptly regardless of their business area, geography or access to the intranet.

At an individual level, regular team meetings and discussions with line managers enable employees to discuss and clarify any questions they have about news within and performance of the Group. The twice-yearly formal performance review also provides the opportunity to discuss how the employee, their team and business area contributed to the overall performance of the Group and how any compensation awards relate to this.

We continue to communicate with employees who have left the Group via our Alumni network and all employees, past, present and future and social networking messages via the Group's LinkedIn network and Facebook.

Our employee engagement survey has been an important way for us to gather feedback on how our organisation is working, where our areas of strength are, and how we can further improve. The My Voice survey was launched in 2014 and measures engagement across the Group on a variety of business factors such as leadership, strategy and conduct. In the first year, over 85 per cent of our people across 68 countries completed the survey. The insight gained is being used to inform action plans that intend to resolve highlighted issues.

In addition, targeted local surveys and focus groups seek views on particular topics or from particular groups of employees, and across the Group, many business areas or project groups facilitate employee forums and message boards. Less formal measures of sentiment and engagement include quick polls and conversation on the Bridge.

Combined with almost 40 employee networks across 18 countries and numerous champion groups, these insights are invaluable in shaping our thinking and future planning.

In 2014, the Group refreshed its Group Equal Opportunities, Diversity, Inclusion and Dignity at Work Policy, reinforcing the Group's commitment to providing equality of opportunity and fair treatment in employment. It does not accept unlawful discrimination in its recruitment and employment policies, terms, procedures, processes and decisions on the grounds of: race; colour; nationality; national or ethnic origins; gender; parental status; marital or civil partner status; sexual orientation; gender identity, expression or reassignment; HIV or AIDS status; employment status; flexibility of working arrangements; disability; age; religion; or belief. The Group appoints, trains, develops, rewards and promotes employees on the basis of their merit and ability. If employees become disabled, every endeavour is made to ensure their employment continues, with appropriate training and workplace adjustments where necessary.

Action may be taken to address disadvantage or under representation among specific groups, with the aim of ensuring that employment decisions are free from bias.

The Group does not tolerate any bullying or harassment of, discrimination against, or victimisation of staff, clients, or visitors of the Group, whether verbal, written, physical or psychological. All staff have a duty to treat all those with whom they come into contact through work with dignity and respect at all times. This is also enshrined in our Group Code of Conduct, which states that colleagues must be treated fairly and with respect, and that all employees are entitled to a safe working environment that is inclusive and free from discrimination, bullying and harassment.

Sharesave is provided to engage employees in the Group's performance and offer them an opportunity for long-term savings and a share in the financial success they help to create.

Standard Chartered Bank

Report of the Directors continued

Qualifying Third Party Indemnities

Standard Chartered PLC, the Company's ultimate holding company has granted qualifying third party indemnities to the directors of the Company. These indemnities remain in force at the time of this report. The Company itself has not granted any qualifying third party indemnities to the directors.

Group Code of Conduct

The Board has adopted a refreshed Group Code of Conduct (the 'Code') relating to the lawful and ethical conduct of business and this is supported by the Group's core values. It has been communicated to all directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Group operates. Employees are asked to recommit to the Code annually, and this was done during November 2015.

Environmental and social risk management

The Board is responsible for ensuring that high standards of responsible business are maintained and that an effective control framework is in place. This encompasses risks associated with clients' operations and their potential impact on the environment and local communities. The Board recognises its responsibility to manage these risks and that failure to manage them adequately would have an adverse impact on our business.

The Board receives regular information to identify and assess significant risks and opportunities arising from environmental and social matters. These issues are overseen by the Brand, Values and Conduct Committee. The Committee reviews sustainability priorities, and oversees the development of, and delivery against, public commitments regarding the activities and/or businesses that the Group will or will not accept in alignment with our Here for good brand promise. Environmental and social risks are explicitly identified in the Group's policies and procedures. We have disclosed a series of 20 sector-specific and thematic Position Statements that apply to the provision of debt, equity and advisory services to all clients. We have adopted the Equator Principles that set requirements for identifying, assessing and mitigating the environmental and social impacts associated with the financing of projects and related advisory services. The Group reports on its environmental and social performance through the Group's Annual Report and Accounts and through the sustainability section of the Group's website.

Environmental impact of our operations

We aim to minimise the environmental impact of our operations as part of our commitment to being a responsible company. We report on energy, water, paper and waste data that are the basis of our Greenhouse Gas (GHG) emissions management as well as the targets we have set to reduce energy, water and paper use.

Community Investment

We work with local communities to help promote social and economic development across our markets. In 2015, we invested a total of \$60.3 million to support our local communities. This includes cash contributions of \$24.5 million and indirect contributions such as employee time totalling \$20.0 million. Our community programmes focus on health and education, with youth as a target demographic. Our global community programmes include Seeing is Believing to address avoidable blindness; Positive Living to promote education and awareness on HIV and AIDS; Goal to empower girls and young women through sports and life skills training; and financial education to build the financial capability of youth and entrepreneurs. We offer our employees three days paid leave to volunteer. In 2015, 57 per cent of staff contributed 77,900 volunteering days.

HIV and AIDS Procedures

HIV and AIDS remain a serious challenge across our markets and impacts our employees and communities. In 2015, we strengthened our HIV and AIDS Procedure to better support our employees through non-discrimination and non-disclosure clauses. The HIV and AIDS Procedure is part of the Group Benefits Policy and applies to all staff and their families globally.

Auditor

KPMG LLP have agreed to continue as the Company's auditor and a resolution for its re-appointment will be proposed at this year's annual general meeting.

The directors have taken all necessary steps to make themselves and KPMG LLP aware of any information needed in performing the audit of the 2015 Annual Report and Accounts and as far as each of the directors is aware, there is no relevant audit information of which KPMG LLP is unaware.

By order of the Court



Bill Winters

Director

23 February 2016

Company Reference Number: ZC18

Standard Chartered Bank

Statement of Directors' Responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements on the same basis.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRSs as adopted by the EU
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Report of the directors, Strategic report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board



Andy Halford
Director
23 February 2016

Standard Chartered Bank

Independent Auditor's Report to the members of Standard Chartered Bank

We have audited the financial statements of the Group (Standard Chartered Bank and its subsidiaries) and Bank (Standard Chartered Bank) for the year ended 31 December 2015 set out on pages 160 to 292. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Bank's financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 158, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Bank's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Bank's financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

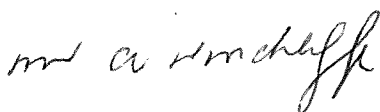
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- the Bank's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Michelle Hinchliffe

Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

23 February 2016

Standard Chartered Bank

Consolidated income statement

For the year ended 31 December 2015

	Notes	2015 \$million	2014 \$million
Interest income	3	14,598	16,975
Interest expense	4	(5,092)	(5,870)
Net interest income		9,506	11,105
Fees and commission income	5	4,115	4,661
Fees and commission expense	5	(548)	(511)
Net trading income	6	939	1,846
Other operating income	7	1,207	1,101
Non-interest income		5,713	7,097
Operating income		15,219	18,202
Staff costs	8	(7,124)	(6,807)
Premises costs	8	(824)	(900)
General administrative expenses	8	(2,540)	(2,697)
Depreciation and amortisation	9	(622)	(598)
Operating expenses		(11,110)	(11,002)
Operating profit before impairment losses and taxation		4,109	7,200
Impairment losses on loans and advances and other credit risk provisions	10	(4,976)	(2,141)
Other impairment			
Goodwill	11	(488)	(758)
Other	11	(244)	(403)
Profit from associates and joint ventures	23	192	249
(Loss)/profit before taxation		(1,407)	4,147
Taxation	12	(661)	(1,527)
(Loss)/profit for the year		(2,068)	2,620
(Loss)/profit attributable to:			
Non-controlling interests	34	563	745
Parent company shareholders		(2,631)	1,875
(Loss)/profit for the year		(2,068)	2,620

The notes on pages 167 to 292 form an integral part of these financial statements.

Standard Chartered Bank

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Notes	2015 \$million	2014 \$million
(Loss)/profit for the year		(2,068)	2,620
Other comprehensive (loss)/income:			
Item that will not be reclassified to Income statement:			
Actuarial loss on retirement benefit obligations	32	(57)	(61)
Items that may be reclassified subsequently to Income statement:			
Exchange differences on translation of foreign operations:			
Net losses taken to equity		(2,004)	(1,085)
Net gains on net investment hedges		90	20
Share of comprehensive income from associates and joint venture	23	-	17
Available-for-sale investments:			
Net valuation (losses) / gains taken to equity		(65)	503
Reclassified to income statement		(328)	(423)
Cash flow hedges:			
Net losses taken to equity		(71)	(116)
Reclassified to income statement	17	107	13
Taxation relating to components of other comprehensive (loss)/income	12	22	(25)
Other comprehensive loss for the year, net of taxation		(2,306)	(1,157)
Total comprehensive (loss)/income for the year		(4,374)	1,463
Attributable to:			
Non-controlling interests	34	447	734
Parent company shareholders		(4,821)	729
		(4,374)	1,463

The notes on pages 167 to 292 form an integral part of these financial statements.

Standard Chartered Bank

Consolidated balance sheet

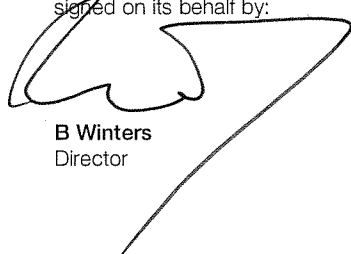
As at 31 December 2015

	Notes	2015 \$million	2014 \$million
Assets			
Cash and balances at central banks	15, 37	65,312	97,282
Financial assets held at fair value through profit or loss	15, 16	23,241	32,405
Derivative financial instruments	15, 17	64,587	66,317
Loans and advances to banks	15, 18	64,492	83,885
Loans and advances to customers	15, 19	257,228	284,548
Investment securities	15, 21	114,549	103,923
Other assets	15, 22	34,496	38,525
Current tax assets		388	362
Prepayments and accrued income		2,174	2,620
Interests in associates and joint ventures	23	1,929	1,954
Goodwill and intangible assets	25	4,217	4,782
Property, plant and equipment	26	6,120	6,615
Deferred tax assets	27	1,059	545
Total assets		639,792	723,763
Liabilities			
Deposits by banks	15	37,526	54,301
Customer accounts	15	350,633	405,353
Financial liabilities held at fair value through profit or loss	15, 16	20,872	22,390
Derivative financial instruments	15, 17	62,586	64,184
Debt securities in issue	15, 28	42,587	53,313
Other liabilities	15, 29	31,969	31,198 ¹
Due to parent companies and other related parties		18,916	15,705
Current tax liabilities		744	879
Accruals and deferred income		5,072	5,518
Subordinated liabilities and other borrowed funds	15, 30	20,716	21,362
Deferred tax liabilities	27	238	199
Provisions for liabilities and charges	31	215	129 ¹
Retirement benefit obligations	32	445	413
Total liabilities		592,519	674,944
Equity			
Share capital	33	22,736	20,854
Share premium		1,796	1,796
Other reserves		(4,892)	(2,741)
Retained earnings		21,472	24,759
Total parent company shareholders' equity		41,112	44,668
Other equity instruments	33	2,000	-
Total equity excluding non-controlling interests		43,112	44,668
Non-controlling interests	34	4,161	4,151
Total equity		47,273	48,819
Total equity and liabilities		639,792	723,763

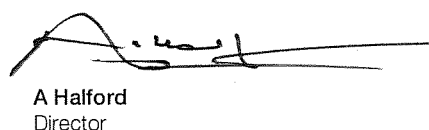
1. Restated

The notes on pages 167 to 292 form an integral part of these financial statements.

These financial statements were approved by the Court of Directors and authorised for issue on 23 February 2016 and signed on its behalf by:



B Winters
Director



A Halford
Director

Standard Chartered Bank

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital and share premium account	Other equity instruments	Capital and Capital redemption reserve ¹	Available-for-sale reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Parent company shareholders equity	Non-controlling interests	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2014	19,550	-	40	460	17	(2,161)	24,183	42,089	4,000	46,089
Profit for the year	-	-	-	-	-	-	1,875	1,875	745	2,620
Other comprehensive income/(loss)	-	-	-	13	(77)	(1,033)	(49) ²	(1,146)	(11)	(1,157)
Distributions	-	-	-	-	-	-	-	-	(295)	(295)
Shares issued, net of expenses	3,100	-	-	-	-	-	-	3,100	-	3,100
Deemed capital contribution ³	-	-	-	-	-	-	279	279	-	279
Dividends	-	-	-	-	-	-	(1,309)	(1,309)	-	(1,309)
Deemed distribution to parent	-	-	-	-	-	-	(233)	(233)	-	(233)
Other increases/(decreases) ⁴	-	-	-	-	-	-	13	13	(288)	(275)
At 31 December 2014	22,650	-	40	473	(60)	(3,194)	24,759	44,668	4,151	48,819
(Loss)/profit for the year	-	-	-	-	-	-	(2,631)	(2,631)	563	(2,068)
Other comprehensive (loss)/income	-	-	-	(316)	13	(1,848)	(39) ²	(2,190)	(116)	(2,306)
Distributions	-	-	-	-	-	-	-	-	(518)	(518)
Shares issued, net of expenses	1,882	-	-	-	-	-	-	1,882	-	1,882
Other equity instruments issued, net of expenses	-	2,000	-	-	-	-	-	2,000	-	2,000
Deemed capital contribution ³	-	-	-	-	-	-	177	177	-	177
Dividends	-	-	-	-	-	-	(652)	(652)	-	(652)
Deemed distribution to parent	-	-	-	-	-	-	(142)	(142)	-	(142)
Other increases ⁵	-	-	-	-	-	-	-	-	81	81
At 31 December 2015	24,532	2,000	40	157	(47)	(5,042)	21,472	43,112	4,161	47,273

¹ Includes capital reserve of \$5 million, capital redemption reserve of \$35 million

² Includes actuarial losses, net of taxation and non-controlling interest of \$41 million (2014: \$48 million)

³ Relates to deemed capital contribution from parent company arising from share based payment net of taxation

⁴ Redemption of \$300 million 7.267% Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited

⁵ Additional investment from non controlling interests in one of the Group's subsidiary undertakings

Note 33 includes a description of each reserve.

The notes on pages 167 to 292 form an integral part of these financial statements.

Standard Chartered Bank

Cash flow statement

For the year ended 31 December 2015

	Notes	Group		Company	
		2015 \$million	2014 \$million	2015 \$million	2014 \$million
Cash flows from operating activities					
(Loss)/profit before taxation		(1,407)	4,147	(832)	1,599
Adjustments for non-cash items and other adjustments included within income statement	36	6,435	4,395	2,818	1,901
Change in operating assets	36	34,476	(12,551)	14,118	(10,427)
Change in operating liabilities	36	(65,179)	58,352	(40,707)	52,083
Contributions to defined benefit schemes	32	(109)	(98)	(53)	(41)
UK and overseas taxes paid		(1,273)	(1,704)	(690)	(932)
Net cash (used in)/from operating activities		(27,057)	52,541	(25,346)	44,183
Cash flows from investing activities					
Purchase of property, plant and equipment	26	(130)	(189)	(73)	(82)
Disposal of property, plant and equipment		106	68	22	8
Acquisition of investment in subsidiaries, associates and joint ventures, net of cash acquired	23	-	(64)	(217)	(642)
Disposal of investment in subsidiaries		667	-	23	103
Purchase of investment securities		(209,450)	(195,971)	(73,971)	(59,627)
Disposal and maturity of investment securities		195,329	191,982	60,317	53,506
Dividends received from investment in subsidiaries, associates and joint ventures	23	12	13	1,502	2,240
Net cash used in investing activities		(13,466)	(4,161)	(12,397)	(4,494)
Cash flows from financing activities					
Issue of ordinary and preference share capital, net of expenses	33	1,882	3,100	1,882	3,100
Issue of other equity instruments, net of expenses	33	2,000	-	2,000	-
Interest paid on subordinated liabilities		(801)	(1,001)	(720)	(902)
Gross proceeds from issue of subordinated liabilities		-	3,698	-	3,698
Repayment of subordinated liabilities		(5)	(3,914)	-	(3,300)
Investment/(repayment) to non-controlling interests		82	(298)	-	-
Interest paid on senior debts		(123)	(135)	-	(3)
Gross proceeds from issue of senior debts		1,140	1,531	-	-
Repayment of senior debts		(2,399)	(2,344)	(166)	-
Dividends paid to non-controlling interests and preference shareholders		(619)	(396)	(101)	(101)
Dividends paid to ordinary shareholders		(551)	(1,208)	(551)	(1,208)
Net cash from/(used in) financing activities		606	(967)	2,344	1,284
Net (decrease)/increase in cash and cash equivalents		(39,917)	47,413	(35,399)	40,973
Cash and cash equivalents at beginning of year		129,870	84,156	95,209	55,493
Effect of exchange rate movements on cash and cash equivalents		(1,525)	(1,699)	(680)	(1,257)
Cash and cash equivalents at end of year	37	88,428	129,870	59,130	95,209

The notes on pages 167 to 292 form an integral part of these financial statements.

Standard Chartered Bank

Company balance sheet

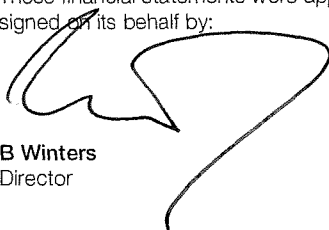
As at 31 December 2015

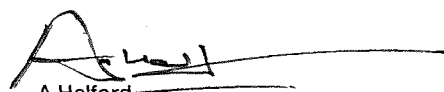
	Notes	2015 \$million	2014 \$million
Assets			
Cash and balances at central banks	15, 37	49,916	82,728
Financial assets held at fair value through profit or loss	15, 16	15,932	22,507
Derivative financial instruments	15, 17	62,814	63,465
Loans and advances to banks	15, 18	40,089	48,689
Loans and advances to customers	15, 19	118,763	126,642
Investment securities	15, 21	61,396	48,993
Other assets	15, 22	24,279	24,767
Due from subsidiary undertakings and other related parties		14,599	19,349
Current tax assets		46	69
Prepayments and accrued income		1,103	1,308
Investment in subsidiary undertakings	23	13,127	12,962
Investment in associates and joint ventures	23	577	589
Goodwill and intangible assets	25	1,115	1,020
Property, plant and equipment	26	436	474
Deferred tax assets	27	753	367
Total assets		404,945	453,929
Liabilities			
Deposits by banks	15	31,317	45,708
Customer accounts	15	150,002	178,647
Financial liabilities held at fair value through profit or loss	15, 16	12,588	10,741
Derivative financial instruments	15, 17	60,722	61,509
Debt securities in issue	15, 28	37,716	44,492
Other liabilities	15, 29	20,359	17,955 ¹
Due to subsidiary undertakings and other related parties		33,983	37,488
Current tax liabilities		592	618
Accruals and deferred income		3,414	3,494
Subordinated liabilities and other borrowed funds	15, 30	19,040	19,610
Deferred tax liabilities	27	117	80
Provisions for liabilities and charges	31	255	137 ¹
Retirement benefit obligations	32	334	310
Total liabilities		370,439	420,789
Equity			
Share capital	33	22,736	20,854
Share premium		1,796	1,796
Other reserves		(1,686)	(1,026)
Retained earnings		9,660	11,516
Total parent company shareholders' equity		32,506	33,140
Other equity instruments	33	2,000	-
Total equity		34,506	33,140
Total equity and liabilities		404,945	453,929

¹ Provision for legal claims and costs has been reclassified for consistent presentation

The notes on pages 167 to 292 form an integral part of these financial statements.

These financial statements were approved by the Court of Directors and authorised for issue on 23 February 2016 and signed on its behalf by:


B Winters
Director


A Halford
Director

Standard Chartered Bank

Company statement of changes in equity

For the year ended 31 December 2015

	Share capital and share premium account	Other equity instruments	Capital and Capital redemption reserve ¹	Available-for-sale reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2014	19,550	-	40	85	23	(890)	12,099	30,907
Profit for the year	-	-	-	-	-	-	743	743
Other comprehensive income/(loss)	-	-	-	69	(79)	(274)	(26)	(310)
Shares issued, net of expenses	3,100	-	-	-	-	-	-	3,100
Deemed capital contribution ²	-	-	-	-	-	-	197	197
Deemed distribution to parent	-	-	-	-	-	-	(188)	(188)
Dividends	-	-	-	-	-	-	(1,309)	(1,309)
At 31 December 2014	22,650	-	40	154	(56)	(1,164)	11,516	33,140
Loss for the year	-	-	-	-	-	-	(1,177)	(1,177)
Other comprehensive (loss)/income	-	-	-	(174)	21	(507)	(40)	(700)
Shares issued, net of expenses	1,882	-	-	-	-	-	-	1,882
Other equity instruments issued, net of expenses	-	2,000	-	-	-	-	-	2,000
Deemed capital contribution ²	-	-	-	-	-	-	124	124
Deemed distribution to parent	-	-	-	-	-	-	(111)	(111)
Dividends	-	-	-	-	-	-	(652)	(652)
At 31 December 2015	24,532	2,000	40	(20)	(35)	(1,671)	9,660	34,506

¹ Includes capital reserve of \$5 million, capital redemption reserve of \$35 million

² Relates to deemed capital distribution from parent company arising from share based payments net of taxation

Note 33 includes a description of each reserve

The notes on pages 167 to 292 form an integral part of these financial statements.

Standard Chartered Bank

Notes to the financial statements continued

1. Accounting policies

(a) Statement of compliance

The Group financial statements consolidate those of Standard Chartered Bank (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU). EU-endorsed IFRS may differ from IFRS published by the International Accounting Standards Board (IASB) if a standard has not been endorsed by the EU.

In publishing the parent company financial statements together with the Group financial statements, the Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

The following parts of the Risk and capital review form part of these financial statements:

a) From the start of Risk profile on page 50 to the end of the Strategic risk section on page 131 excluding:

- Asset backed securities, page 99
- Country cross-border risk, page 105
- Market risk changes – Risk not in value at risk, page 110
- Market risk changes – backtesting, page 110
- Mapping of market risk items to the balance sheet, page 111
- Liquidity coverage ratio and net stable funding ratio, page 114
- Encumbered assets, page 117
- Readily available to secure funding, page 119
- Operational risk, page 129
- Other risks, page 131

b) Regulatory compliance, review, request for information and investigations on page 134

c) From the start of Risk management approach on page 136 to the end of 'Liquidity risk – stress testing' on page 146, excluding Country cross-border risk on page 142 and where indicated on page 146.

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of cash-settled share-based payments, available-for-sale assets, and financial assets and liabilities (including derivatives) at fair value through profit or loss. The Company financial statements have been prepared on a historical cost basis, as modified by cash-settled share-based payments and the revaluation of financial assets and liabilities (including derivatives) at fair value through profit or loss.

(c) Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future

events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the relevant disclosure notes for the following areas:

- Loan loss provisioning (refer to Risk and capital review on pages 91 to 93)
- Deferred taxation (refer to note 27)
- Fair value of financial instruments (refer to note 15)
- Goodwill impairment (refer to note 25)
- Retirement benefit obligations (refer to note 32)
- Provisions for liabilities and charges (refer to note 31)

Impact of revision of credit valuation adjustment and funding valuation adjustment methodology

The Group enhanced its methodology for estimating the credit valuation adjustment (CVA) for derivatives as at 31 December 2015. Previously, the CVA was based on an expected counterparty loss calculation using historical default probabilities, whereas the enhanced methodology uses market-implied default probabilities. In addition, the funding valuation adjustment (FVA) was also enhanced moving from bank internal funding rates to market-based rates. The net effect of the changes in estimates reduced net trading income by \$863 million. It is impracticable to estimate the effect of the changes in fair value estimates on future periods. See note 15 for further information on the methodologies used.

(d) Fiduciary activities

The Group commonly acts as trustee 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. The assets and income arising thereon are excluded from these financial statements, as they are not assets and income of the Group.

(e) New accounting standards adopted by the Group

There were no new standards applied during the year ended 31 December 2015.

(f) New accounting standards in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. These include:

IFRS 9 Financial Instruments

IFRS 9 was issued in July 2014 and has an effective date of 1 January 2018. IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The standard requires a move from four measurement classifications under IAS 39 to three: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale (AFS) are removed.

IFRS 9 removes the exception that allows certain equity investments, and derivatives linked to such investments, to be measured at cost. FVOCI, a new measurement category, differs from AFS since IFRS 9 is more prescriptive on when a financial

Standard Chartered Bank

Notes to the financial statements continued

asset can be measured at FVOCI; there is no longer reclassification of any fair value gains or losses to the profit or loss and any equity investments classified as FVOCI are no longer tested for impairment. Equity investments in the scope of IFRS 9 can be measured at FVTPL or FVOCI if specific requirements are met.

The measurement of loan loss provisions will move from an incurred loss model to a forward-looking expected credit loss model. Expected credit losses will be measured as either 12-month expected credit losses or where significant credit deterioration has occurred, lifetime expected credit losses. The expected credit loss model under IFRS 9 is different to the expected loss model used for regulatory purposes.

The Group is assessing the impact that IFRS 9 will have on its consolidated financial statements through a Group-wide project, but it is not yet practicable to quantify the potential effect. The standard is not yet endorsed by the EU.

Classification and measurement

Financial assets are classified on the basis of the business model within which they are held, and their contractual cash flow characteristics. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows, and where those contractual cash flows are solely principal and interest on the principal amount outstanding. Debt instruments that meet the amortised cost definition but might be sold from time to time are held at FVOCI, and in certain circumstances equity instruments can be designated as FVOCI. Unrealised gains or losses are deferred in reserves until the asset is sold or credit impaired. All other financial assets will be held at FVTPL.

The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39. However, the requirements relating to the fair value option for financial liabilities were changed to address own credit risk and, in particular, the presentation of gains and losses within other comprehensive income. The fair value of the Group's changes in own credit risk on fair value elected liabilities will be presented within other comprehensive income rather than net trading income.

Impairment

The impairment requirements applied to financial assets measured at amortised costs and FVOCI, lease receivables, and certain loan commitments and guarantees. IFRS 9 incorporates an expected loss approach for recognising credit losses. Under this approach, 12-month expected credit losses or lifetime expected credit losses for all amortised cost and FVOCI debt instruments would be recognised depending on whether or not significant credit deterioration has occurred since origination or acquisition. Where significant deterioration has not occurred, a provision equating to 12 months of expected credit losses would be recognised whereas if there is a significant deterioration in credit risk, lifetime expected credit losses would be recognised. Moving from an incurred loss approach under IAS 39 to an expected loss approach will require management to incorporate forward-looking information into the Group's impairment models. This is a significant change from the current incurred loss model.

Hedge accounting

The general hedge accounting model aligns hedge accounting more closely with risk management activities and establishes a more principle-based approach to hedge accounting. The International Accounting Standards Board is working on a separate project to address the accounting for hedges of open portfolios, usually referred to as 'macro hedge accounting'. Until such time as that project is complete, entities can choose between applying the hedge accounting requirements of IFRS 9

or to continue to apply the existing hedge accounting requirements in IAS 39.

IFRS 15 Revenue from Contracts with Customers

The effective date of IFRS 15 is 1 January 2018 with early adoption permitted.

The standard provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. The standard must be applied retrospectively. While it is expected that a significant proportion of the Group's revenue will be outside the scope of IFRS 15, the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 15 on these consolidated financial statements. IFRS 15 has not yet been endorsed by the EU.

IFRS 16 Leases

The effective date of IFRS 16 is 1 January 2019 with early adoption permitted if IFRS 15 is also adopted at or before application of IFRS 16. IFRS 16 has not yet been endorsed by the EU.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 16 on these consolidated financial statements.

(g) IFRS and Hong Kong accounting requirements

As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between EU-endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards.

The accounting policies set out below have been applied consistently across the Group and to all years presented in these financial statements.

(h) Consolidation

Subsidiaries

Subsidiaries are all entities, including structured entities, which the Group controls. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Group's practical ability to direct the relevant activities of the entity unilaterally for the Group's own benefit and is subject to reassessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the income statement. Details of the Group's principal subsidiaries are given in note 23.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entity

Standard Chartered Bank

Notes to the financial statements continued

indicates the Group's power over the structured entity. Details of the Group's use of structured entities are set out in note 24.

Associates and joint arrangements

Joint arrangements are where two or more parties either have rights to the assets, and obligations of the joint arrangement (joint operations), or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. As at 31 December 2015, the Group did not have any contractual interest in joint operations.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss). The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income 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 or a joint venture 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 or joint venture. Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures.

At each balance sheet date the Group assesses whether there is any objective evidence of impairment in the investment in associates and joint ventures. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate or joint venture below its cost, among other factors.

Details of the Group's interest in associates and joint ventures are provided in note 23.

Investment in subsidiaries, associates and joint ventures

In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Business combinations

The acquisition 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, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill (see note 25 for details on goodwill recognised by the Group). If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation

are not reflected in the income statement if (i) they arise within 12 months of the acquisition date (or relate to acquisitions completed before 1 January 2014) and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and, if applicable, prior year amounts are restated. All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

Changes in ownership interest in a subsidiary, which do not result in a loss of control, are treated as transactions between equity holders and are reported in equity.

Where a business combination is achieved in stages, the previously held equity interest is remeasured at the acquisition date fair value with the resulting gain or loss recognised in the income statement.

Details of the Group's interest in associates and joint ventures are provided in note 23.

(i) Foreign currencies

Items included in the Group financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency of that entity). Both the Company and Group financial statements are presented in US dollars, which is the functional and presentation currency of the Company and the presentation currency of the Group.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. 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. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the income statement or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

Foreign currency translation

The results and financial position of all the entities included in the Group financial statements that have a functional currency different from the Group's presentation currency are accounted for as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date
- Income and expenses for each income statement are translated at average exchange rates or at rates on the date of the transaction where exchange rates fluctuate significantly
- All resulting exchange differences arising since 1 January 2004 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 other comprehensive income. When a foreign operation is sold or capital repatriated they are recognised in the income statement as part of the gain or loss on disposal.

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.

(j) Income recognition

Income from financial instruments

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the income statement in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognised within net interest income.

For available-for-sale assets and financial assets and liabilities held at amortised cost, interest income and interest expense is recognised 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 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.

Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instrument's original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

If the financial asset has been reclassified, subsequent increases in the estimates of future cash receipts as a result of increased recoverability are recognised as an adjustment to the effective interest rate from the date of the change in estimate.

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.

Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, 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 is recognised in profit or loss.

Dividends on equity instruments are recognised in the income statement within other income when the Group's right to receive payment is established.

Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided or significant act performed. 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 as for the other participants. Portfolio and other management advisory fees and service distribution fees are recognised based on the applicable contracts, usually on a time apportionment basis.

(k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

(l) Financial assets and liabilities classification (excluding derivatives)

The Group classifies its financial assets into the following measurement categories: a) financial assets held at fair value through profit or loss; b) loans and receivables; c) held-to-maturity; and d) available-for-sale. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the classification of its financial assets and liabilities at initial recognition or, where applicable, at the time of reclassification. Details of financial assets and liabilities held by the Group are provided in notes 15 and 16.

Financial assets and liabilities held at fair value through profit or loss

This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis
- A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis
- The assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately

For certain loans and advances and debt securities with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these loans and advances and debt securities have been designated at fair value through profit or loss. Details of financial assets designated at fair value are disclosed in notes 15 and 16.

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

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

Designation of certain liabilities at fair value through profit or loss significantly reduces the accounting mismatch between fair value and amortised cost expense recognition. Details of financial liabilities designated at fair value are disclosed in notes 15 and 16.

Standard Chartered Bank

Notes to the financial statements continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration.

Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity.

Available-for-sale

Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

Further detail on the application of these policies is set out in note 15.

Financial liabilities held at amortised cost

Financial liabilities, which include borrowings not classified held at fair value through profit or loss, are classified as amortised cost instruments.

Preference shares which carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholders 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.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in the absence of the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risks or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument and for unlisted securities is not active, the Group establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and financial assets classified as held-to-maturity and available-for-sale, are initially recognised on the 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. All financial instruments are initially recognised at fair value, which is normally the transaction price plus, for those financial assets and liabilities not carried at fair value through profit and loss, directly attributable transaction costs.

In certain circumstances the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement.

The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the net trading income line in the income statement.

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to the available-for-sale reserve within equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to the income statement.

Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Financial liabilities are subsequently stated at amortised cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method.

In addition to these instruments, the carrying value of a financial instrument carried at amortised cost that is the hedged item in a qualifying fair value hedge relationship is adjusted by the fair value gain or loss attributable to the hedged risk.

Impairment of financial assets

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 occurring 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 considers the following factors in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments
- When a counterparty files for bankruptcy protection (or the local equivalent) and this would avoid or delay discharge of its obligation
- Where the Group files to have the counterparty declared bankrupt or files a similar order in respect of a credit obligation
- Where the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments
- Where the Group sells a credit obligation at a material credit-related economic loss; or where there is observable data indicating that there is a measurable decrease in the

estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets

Assets carried at amortised cost

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 a loan and receivable or a held-to-maturity asset 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 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 and receivable or held-to-maturity asset 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. Further details on collateral held by the Group is discussed in the Risk and capital review on pages 66 to 70. 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 which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets 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 based on the probability of default inherent within the portfolio of impaired loans or receivables and the 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. To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery 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.

Further details on the application of these policies is set out in the Risk and capital review on pages 85 to 96.

Available-for-sale assets

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is reclassified from equity and recognised in the income statement.

Available-for-sale debt securities are assessed for impairment in the same way as assets carried at amortised cost. 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, the impairment loss is reversed through the income statement.

For equity securities, a significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors, in assessing objective evidence of impairment. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Renegotiated loans

Loans whose original terms have been modified, including those subject to forbearance strategies, are considered renegotiated loans. If the renegotiations are on terms that are not consistent with those readily available on the market, this provides objective evidence of impairment and the loan is assessed accordingly.

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 to realise the asset and settle the liability simultaneously.

Further details on offsetting are set out in note 15.

Reclassifications

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurement categories are not permitted following initial recognition.

Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets can only be transferred out of the available-for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets must be reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Standard Chartered Bank

Notes to the financial statements continued

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification is amortised to the income statement over the remaining life of the financial asset, using the effective interest method.

Details of reclassifications are set out in note 15.

Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) remain on the balance sheet; the counterparty liability is included in deposits by banks or customer accounts, 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.

Details of repo and reverse-repo transactions entered into by the Group are provided in note 15.

Derecognition

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. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires.

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

(m) Derivative financial instruments and hedge accounting

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in profit and loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are valued 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. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives.

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); (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) hedges of the net investment of a foreign operation (net investment hedges).

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Group and Company document 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.

Details of the derivative financial instruments held by the Group, including those held for hedge accounting, are provided in note 17.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments 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 the income statement over the period to maturity or derecognition.

Cash flow hedge

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

Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects 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.

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 the translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are

Standard Chartered Bank

Notes to the financial statements continued

reclassified to the income statement when the foreign operation is disposed of.

Further details on the application of these policies are set out in note 17.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments not qualifying for hedge accounting are recognised immediately in the income statement.

(n) Financial guarantee contracts

Under a financial guarantee contract, the Group, in return for a fee, undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. A financial guarantee is recognised as a liability; initially at fair value and, if not designated as at fair value through profit or loss, subsequently at the higher of its initial value less cumulative amortisation and any provision under the contract measured in accordance with IAS 37. Amortisation is calculated so as to recognise fees receivable in profit or loss over the period of the guarantee.

(o) Leases

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.

Where the Group is a lessee under finance leases, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities. Finance charges payable are recognised over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return.

Where a Group company is the lessor

When assets are leased to customers under finance leases, 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 ignoring tax cash flows.

Assets leased to customers under operating leases are included within Property, plant and equipment and depreciated over their useful lives. Rental income on these leased assets is recognised in the income statement on a straight-line basis unless another systematic basis is more representative.

(p) Intangible and tangible fixed assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture 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 included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed

based on discounting expected pre-tax cash flows of the relevant cash generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement.

Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These are smaller than the Group's reportable segments (as set out in note 2) as the Group views its reportable segments on a global basis. Note 25 sets out the major CGUs to which goodwill has been allocated.

Acquired intangibles

At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful lives (four to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalised where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortised on the basis of expected useful life (three to five years). Costs associated with maintaining software are recognised as an expense as incurred. At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Property, plant and equipment

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

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.

Freehold land is not depreciated although it is subject to impairment testing. 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	three to 15 years
Aircraft and Ships	up to 25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. At each balance sheet date, assets are also assessed for indicators of impairment. In the event that an asset's carrying amount is

Standard Chartered Bank

Notes to the financial statements continued

determined to be greater than its recoverable amount, the asset is written down immediately to the recoverable amount.

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

(q) Taxation

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise.

Deferred 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 as at the balance sheet date, and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Current and deferred tax relating 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 current or deferred gain or loss.

Details of the income statement tax charge is produced in note 12, and of deferred taxation in note 27.

(r) Provisions

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

Where a liability arises based on participation in a market at a specified date (such as the UK bank levy), the obligation is recognised in the financial statements on that date and is not accrued over the period.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

(s) Employee benefits

Retirement benefit obligations

The Group operates a number of pension and other post-retirement benefit plans around the world, including defined contribution plans and defined benefit plans.

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

For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the

projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Group determines the net interest expense on the net defined liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payment. Net interest expense and other expense related to defined benefit plans are recognised in the income statement.

Details of the Group's retirement benefit obligations are provided in note 32.

Share-based compensation

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for awards granted in 2015 in respect of 2014 performance, which vest in 2016-2018, is recognised as an expense over the period from 1 January 2014 to the vesting dates in 2016-2018. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. 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. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation.

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.

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

Standard Chartered Bank

Notes to the financial statements continued

The Company records the value of the equity-settled awards as a deemed investment in subsidiaries. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

Details of the Group's share-based compensation schemes are set out in note 35.

(t) Share capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the period in which they are declared.

Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are paid.

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

Details of the Group's share capital and other equity instruments are set out in note 33.

(u) Assets held for sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available-for-sale in their present condition; and (iii) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in the disposal group) are measured in accordance with the applicable accounting policies described above.

Standard Chartered Bank

Notes to the financial statements continued

2. Segmental Information

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

The Group's entity-wide disclosure, which includes profit before tax, net interest margin and structure of the Group's deposits, comprises geographic areas, classified by the location of the customer, except for Financial Market products, which are classified by the location of the dealer.

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

Performance by client segment

	2015						
	Corporate and Institutional	Commercial	Private Banking	Retail	Total reportable Segments	Corporate items not allocated	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Internal income	(55)	10	(20)	65	-	-	-
Net interest income	5,206	550	341	3,409	9,506	-	9,506
Non-interest income ¹	3,086	270	238	2,119	5,713	-	5,713
Operating income¹	8,237	830	559	5,593	15,219	-	15,219
Operating expenses²	(5,339)	(770)	(371)	(4,190)	(10,670)	(440)³	(11,110)
Operating profit before impairment losses and taxation	2,898	60	188	1,403	4,549	(440)	4,109
Impairment losses on loans and advances and other credit risk provisions ⁴	(3,606)	(599)	(94)	(677)	(4,976)	-	(4,976)
Other impairment							
Goodwill impairment	-	-	-	-	-	(488) ⁵	(488)
Other impairment ⁶	(184)	(27)	(5)	(28)	(244)	-	(244)
Profit from associates and joint ventures	171	14	-	7	192	-	192
(Loss)/profit before taxation	(721)	(552)	89	705	(479)	(928)	(1,407)
Total assets employed	442,970	20,653	23,132	148,398	635,153	4,639	639,792
Loans to customers	140,259	11,107	15,060	94,849	261,275	-	261,275
Total liabilities employed	401,555	26,001	28,194	135,787	591,537	982	592,519
Customer accounts	200,975	19,071	24,532	114,549	359,127	-	359,127
Other segment items:							
Interests in associates and joint ventures	1,415	341	-	173	1,929	-	1,929
Capital expenditure ⁷	1,105	81	45	152	1,383	-	1,383
Depreciation	262	13	7	96	378	-	378
Amortisation of intangible assets	136	14	16	78	244	-	244

1. Includes \$495 million benefit relating to own credit adjustment, \$863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments (Corporate & Institutional) and net gains on businesses sold/held for sale of \$218 million (Retail \$219 million gain and Commercial \$1 million loss)

2. Includes \$695 million charge relating to restructuring actions (Corporate and Institutional \$231 million, Commercial \$56 million, Private Bank \$8 million and Retail \$400 million)

3. Relates to \$440 million for UK bank levy

4. Includes \$968 million charge relating to restructuring actions in Corporate & Institutional

5. Relates to \$488 million goodwill impairment charge in Taiwan (\$362 million) and restructuring actions in Thailand (\$126 million)

6. Includes \$56 million charge relating to restructuring actions (Corporate & Institutional \$13 million, Commercial \$20 million, Retail \$23 million)

7. Includes \$885 million capital expenditure relating to operating lease assets

Standard Chartered Bank

Notes to the financial statements continued

2. Segmental Information continued

	2014						
	Corporate and Institutional	Commercial	Private Banking	Retail	Total reportable segments	Corporate items not allocated	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Internal income	6	2	(6)	(2)	-	-	-
Net interest income	5,904	727	347	4,127	11,105	-	11,105
Non-interest income ¹	4,477	458	272	1,890	7,097	-	7,097
Operating income	10,387	1,187	613	6,015	18,202	-	18,202
Operating expenses	(5,121)	(743)	(450)	(4,022)	(10,336)	(666)²	(11,002)
Operating profit before impairment losses and taxation	5,266	444	163	1,993	7,866	(666)	7,200
Impairment losses on loans and advances and other credit risk provisions	(991)	(212)	-	(938)	(2,141)	-	(2,141)
Other impairment							
Goodwill impairment ³	-	-	-	-	-	(758)	(758)
Other impairment	(307)	(35)	(16)	(45)	(403)	-	(403)
Profit from associates and joint ventures	199	22	-	28	249	-	249
Profit before taxation	4,167	219	147	1,038	5,571	(1,424)	4,147
Total assets employed	511,037	29,583	26,304	152,132	719,056	4,707	723,763
Loans to customers	157,849	14,651	18,030	97,922	288,452	-	288,452
Total liabilities employed	462,408	32,102	36,387	142,969	673,866	1,078	674,944
Customer accounts	244,731	22,787	29,621	117,050	414,189	-	414,189
Other segment items:							
Capital expenditure ⁴	2,264	120	44	98	2,526	-	2,526
Depreciation	245	14	4	113	376	-	376
Interests in associates and joint ventures	1,209	406	19	320	1,954	-	1,954
Amortisation of intangible assets	112	13	13	84	222	-	222

1. Includes \$100 million benefit relating to own credit adjustment and \$2 million losses on businesses sold/held for sale

2. Relates to \$366 million for UK bank levy and \$300 million for US civil monetary penalty

3. Relates to \$726 million and \$32 million goodwill impairment charge in North East Asia and Greater China respectively

4. Includes capital expenditure \$1,966 million in respect of operating lease asset

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

	2015 \$million	2014 \$million
Lending and Portfolio Management	851	1,030
Transaction Banking	3,394	3,817
Trade	1,607	1,963
Cash Management and Custody	1,787	1,854
Financial Markets ¹	2,397	3,515
Corporate Finance	2,046	2,364
Wealth Management	1,736	1,705
Retail Products	4,350	4,844
Cards, Personal Loans and Unsecured Lending	1,967	2,577
Deposits	1,187	1,224
Mortgage & Auto	837	939
Other Retail Products ²	359	104
Asset and Liability Management	428	663
Principal Finance	17	264
Total operating income^{1,2}	15,219	18,202

1. Includes \$495 million (2014: \$100 million) benefit relating to own credit adjustment and \$863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments

2. Includes \$218 million net gain (2014: \$2 million net loss) relating to businesses sold/held for sale

Standard Chartered Bank

Notes to the financial statements continued

2. Segmental Information continued

Performance by geographic regions and key countries

Entity-wide information

The Group manages its reportable client segments on a global basis. The Group's operations are based in the eight main geographic regions presented below, information is also provided for key countries the Group operates. The UK is the home country of the Company.

	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Internal income	69	(36)	(57)	63	84	76	6	(205)	-
Net interest income	2,509	866	1,249	1,879	852	922	329	900	9,506
Fees and commissions income, net	1,291	195	281	741	321	337	345	56	3,567
Net trading income	843	(12)	(176)	313	99	(35)	149	(242)	939
- Underlying	793	(15)	(176)	45	98	(35)	149	(415)	444
- Own credit adjustment	50	3	-	268	1	-	-	173	495
Other operating income	621	129	125	142	65	143	14	(32)	1,207
Operating income¹	5,333	1,142	1,422	3,138	1,421	1,443	843	477	15,219
Operating expenses²	(3,026)	(1,488)	(846)	(1,941)	(979)	(956)	(816)	(1,058)	(11,110)
Operating profit/(loss) before impairment losses and taxation	2,307	(346)	576	1,197	442	487	27	(581)	4,109
Impairment losses on loans and advances and other credit risk provisions ³	(701)	(247)	(1,347)	(1,016)	(441)	(550)	(62)	(612)	(4,976)
Other impairment ⁴	(410)	(12)	(34)	(195)	(3)	(48)	(9)	(21)	(732)
Profit/(loss) from associates and joint ventures	173	-	-	16	-	4	-	(1)	192
Profit/(loss) before taxation	1,369	(605)	(805)	2	(2)	(107)	(44)	(1,215)	(1,407)
Total assets employed ^{5,6}	188,144	60,053	31,592	130,340	42,158	25,323	69,959	168,745	
Loans to customers ⁶	77,675	28,608	19,287	66,942	19,485	11,562	11,498	26,218	
Average interest-earning assets⁶	168,702	52,533	29,720	114,590	35,168	21,540	72,484	120,155	
Net interest margins (%)	1.5	1.6	4.0	1.7	2.7	4.6	0.5	0.6	1.7
Capital expenditure⁷	900	19	18	376	6	14	7	43	1,383

1. Includes \$495 million benefit relating to own credit adjustment, \$863 million charges relating to a change in the methodology for estimating credit and funding valuation adjustments, and \$218 million net gain on businesses sold/held for sale

2. Includes \$695 million charge relating to restructuring actions and \$440 million for UK bank levy

3. Includes \$968 million charge relating to restructuring actions

4. Includes \$488 million of goodwill impairment charge and \$56 million relating to restructuring actions

5. Includes intra-group assets

6. Based on the location of the customers rather than the booking location of the loan

7. Includes \$885 million capital expenditure in Greater China relating to operating lease assets

Standard Chartered Bank

Notes to the financial statements continued

2. Segmental Information continued

Performance by geographic regions and key countries

Entity-wide information continued

	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Internal income	(28)	(80)	(51)	54	82	93	(6)	(64)	-
Net interest income	3,021	1,243	1,276	2,253	959	993	399	961	11,105
Fees and commissions income, net	1,332	236	298	953	414	413	359	145	4,150
Net trading income	792	10	229	230	242	197	83	63	1,846
- Underlying	698	10	229	233	242	197	83	54	1,746
- Own credit adjustment	94	-	-	(3)	-	-	-	9	100
Other operating income	424	53	111	220	149	138	28	(22)	1,101
Operating income¹	5,541	1,462	1,863	3,710	1,846	1,834	863	1,083	18,202
Operating expenses²	(2,921)	(1,186)	(797)	(2,090)	(986)	(995)	(972)	(1,055)	(11,002)
Operating profit/(loss) before impairment losses and taxation	2,620	276	1,066	1,620	860	839	(109)	28	7,200
Impairment losses on loans and advances and other credit risk provisions	(469)	(394)	(183)	(698)	(89)	(175)	(21)	(112)	(2,141)
Other impairment ³	(174)	(737)	(73)	(86)	(1)	(1)	(1)	(88)	(1,161)
Profit from associates and joint ventures	177	-	-	62	-	10	-	-	249
Profit/(loss) before taxation	2,154	(855)	810	898	770	673	(131)	(172)	4,147
Total assets employed ^{4,5}	213,974	65,134	36,073	160,538	44,387	26,553	92,337	168,205	
Loans to customers ⁵	89,646	29,582	22,859	78,541	22,775	13,103	10,952	20,994	
Average interest-earning assets⁵	175,810	58,492	31,734	127,609	36,589	22,832	66,412	109,742	
Net interest margins (%)	1.7	2.0	3.9	1.8	2.8	4.8	0.6	0.8	2.0
Capital expenditure⁶	2,008	40	28	377	12	38	2	21	2,526

1. Includes \$100 million benefit relating to own credit adjustment and \$2 million net losses on businesses sold/held for sale

2. Includes \$366 million UK bank levy in Europe and \$300 million civil monetary penalty in Americas

3. Includes \$32 million and \$726 million related to goodwill impairment charge in Greater China and North East Asia respectively

4. Includes intra-group assets

5. Based on the location of the customers rather than booking location

6. Includes \$1,966 million capital expenditure in Greater China relating to operating lease assets

Standard Chartered Bank

Notes to the financial statements continued

2. Segmental Information continued

Performance by geographic regions and key countries

Entity-wide information continued

	2015						
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Net interest income	1,642	1,026	794	929	512	707	568
Fees and commissions income, net	970	439	181	215	199	145	5
Net trading income	513	285	(27)	(221)	81	220	(263)
- Underlying	463	15	(30)	(221)	80	220	(436)
- Own credit adjustment	50	270	3	-	1	-	173
Other operating income	669	82	123	116	41	(58)	96
Operating income¹	3,794	1,832	1,071	1,039	833	1,014	406
Operating expenses²	(1,865)	(980)	(1,433)	(640)	(581)	(824)	(1,028)
Operating profit/(loss) before impairment losses and taxation	1,929	852	(362)	399	252	190	(622)
Impairment losses on loans and advances and other credit risk provisions ³	(422)	(282)	(249)	(1,341)	(352)	(249)	(611)
Other impairment ³	(21)	(6)	(11)	(33)	(2)	(25)	(144)
Profit from associates and joint ventures	-	1	-	-	-	173	-
Profit/(loss) before taxation	1,486	565	(622)	(975)	(102)	89	(1,377)
Total assets employed ^{4,5}	147,610	100,965	46,785	26,029	27,344	29,006	166,370
Loans to customers ⁵	55,128	47,394	27,552	16,311	12,456	12,268	23,801
Capital expenditure⁶	897	2	19	8	2	9	43

1. Includes own credit adjustment, change in the methodology for estimating credit and funding valuation adjustments, and net gain on businesses sold/held for sale

2. Includes restructuring actions and bank levy

3. Includes restructuring actions

4. Includes intra-group assets

5. Based on the location of the customers rather than the booking location of the loan

6. Includes \$885 million capital expenditure in Hong Kong relating to operating lease assets

Standard Chartered Bank

Notes to the financial statements continued

Performance by geographic regions and key countries

Entity-wide information continued

	2014						
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Net interest income	1,915	1,158	1,115	974	610	782	748
Fees and commissions income, net	1,030	577	219	225	263	133	82
Net trading income	699	165	(1)	171	135	(7)	47
- Underlying income	606	171	(2)	171	135	(8)	38
- Own credit adjustment	93	(6)	1	-	-	1	9
Other operating income	398	117	52	89	66	13	92
Operating income¹	4,042	2,017	1,385	1,459	1,074	921	969
Operating expenses²	(1,796)	(1,098)	(1,127)	(650)	(572)	(762)	(939)
Operating profit before impairment losses and taxation	2,246	919	258	809	502	159	30
Impairment losses on loans and advances and other credit risk provisions	(272)	(80)	(392)	(171)	(63)	(177)	(108)
Other impairment ³	(169)	(2)	(737)	(73)	-	-	(88)
Profit/(loss) from associates and joint ventures	-	(1)	-	-	-	177	-
Profit/(loss) before taxation	1,805	836	(871)	565	439	159	(166)
Total assets employed ^{4,5}	157,098	120,952	54,637	30,194	28,426	36,383	172,399
Loans to customers ⁵	61,643	55,830	28,600	19,718	14,358	15,939	18,197
Capital expenditure⁶	1,996	355	39	20	2	7	19

1. Includes own credit adjustment, and net losses on businesses sold/held for sale

2. Includes \$366 million bank levy in the UK

3. Includes \$32 million and \$726 million related to goodwill impairment charge in Hong Kong and Korea respectively

4. Includes intra-group assets

5. Based on the location of the customers rather than the booking location of the loan

6. Includes \$1,966 million capital expenditure in Hong Kong relating to operating lease assets

Standard Chartered Bank

Notes to the financial statements continued

2. Segmental Information continued

Deposits structure by geographic regions and key countries

The following tables set out the structure of the Group's deposits by principal geographic regions and key countries:

	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Non-interest bearing current and demand accounts	13,615	574	2,876	9,926	7,356	5,263	2,727	1,048	43,385
Interest bearing current accounts and savings deposits	88,598	21,867	2,658	33,818	4,624	3,145	11,609	14,922	181,241
Time deposits	33,582	12,138	8,725	32,731	11,835	2,576	10,410	37,099	149,096
Other deposits	193	510	478	2,540	347	163	4,063	15,274	23,568
Total	135,988	35,089	14,737	79,015	24,162	11,147	28,809	68,343	397,290
Deposits by banks	4,635	3,678	351	4,892	2,342	387	10,967	10,911	38,163
Customer accounts	131,353	31,411	14,386	74,123	21,820	10,760	17,842	57,432	359,127
Protected under Government insurance Schemes	25,148	8,632	1,090	10,311	786	3,066	-	67	49,100
Other Accounts	106,205	22,779	13,296	63,812	21,034	7,694	17,842	57,365	310,027
Total	135,988	35,089	14,737	79,015	24,162	11,147	28,809	68,343	397,290
Debt securities in issue:									
Senior debt	1,484	2,456	-	-	-	5	-	-	3,945
Other debt securities	1,387	3,517	57	4,577	-	18	18,860	19,143	47,559
Subordinated liabilities and other borrowed funds	1,301	315	-	-	24	34	-	19,042	20,716
Total	140,160	41,377	14,794	83,592	24,186	11,204	47,669	106,528	469,510

The above table includes financial instruments held at fair value (see note 15).

	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Non-interest bearing current and demand accounts	12,670	514	3,201	10,579	7,969	5,826	2,610	2,492	45,861
Interest bearing current accounts and savings deposits	86,110	21,369	2,771	39,067	5,051	2,590	17,345	17,885	192,188
Time deposits	57,735	14,476	8,575	47,583	11,422	3,142	28,231	42,214	213,378
Other deposits	220	462	1,001	3,841	412	146	1,689	10,224	17,995
Total	156,735	36,821	15,548	101,070	24,854	11,704	49,875	72,815	469,422
Deposits by banks	5,200	4,202	338	7,283	2,374	687	16,496	18,653	55,233
Customer accounts	151,535	32,619	15,210	93,787	22,480	11,017	33,379	54,162	414,189
Protected under Government insurance Schemes	26,700	9,309	1,253	12,825	326	2,927	-	69	53,409
Other Accounts	124,835	23,310	13,957	80,962	22,154	8,090	33,379	54,093	360,780
Total	156,735	36,821	15,548	101,070	24,854	11,704	49,875	72,815	469,422
Debt securities in issue:									
Senior debt	1,416	3,919	-	-	-	5	-	166	5,506
Other debt securities	3,569	6,234	388	5,004	-	137	17,325	23,987	56,644
Subordinated liabilities and other borrowed funds	1,342	337	-	-	25	46	-	19,612	21,362
Total	163,062	47,311	15,936	106,074	24,879	11,892	67,200	116,580	552,934

The above table includes financial instruments held at fair value (see note 15).

Standard Chartered Bank

Notes to the financial statements continued

2. Segmental Information continued

Deposits structure by geographic regions and key countries

Company

	2015								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Non-interest bearing current and demand accounts	37	534	2,717	6,450	5,904	889	2,727	1,048	20,306
Interest bearing current accounts and savings deposits	91	2,043	2,423	16,948	3,163	65	11,608	14,922	51,263
Time deposits	30	3,551	8,565	20,952	11,418	364	10,410	37,099	92,389
Other deposits	-	113	475	2,169	327	7	4,063	15,274	22,428
Total	158	6,241	14,180	46,519	20,812	1,325	28,808	68,343	186,386
Deposits by banks	-	2,885	349	4,405	2,097	71	10,967	10,911	31,685
Customer accounts	158	3,356	13,831	42,114	18,715	1,254	17,841	57,432	154,701
Protected under Government insurance Schemes	6	-	1,090	1,642	786	-	-	67	3,591
Other Accounts	152	3,356	12,741	40,472	17,929	1,254	17,841	57,365	151,110
Total	158	6,241	14,180	46,519	20,812	1,325	28,808	68,343	186,386
Debt securities in issue:									
Senior debt	-	-	-	-	-	-	-	-	-
Other debt securities	-	1,501	-	4,374	-	16	18,541	19,140	43,572
Subordinated liabilities and other borrowed funds	-	-	-	-	-	-	-	19,040	19,040
Total	158	7,742	14,180	50,893	20,812	1,341	47,349	106,523	248,998

The above table includes financial instruments held at fair value (see note 15).

	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Non-interest bearing current and demand accounts	43	434	3,047	6,624	6,558	1,002	2,610	2,333	22,651
Interest bearing current accounts and savings deposits	105	1,480	2,444	19,769	3,618	-	17,345	17,883	62,644
Time deposits	50	3,369	8,548	32,471	11,062	722	28,225	42,213	126,660
Other deposits	1	50	992	3,151	384	-	1,689	10,227	16,494
Total	199	5,333	15,031	62,015	21,622	1,724	49,869	72,656	228,449
Deposits by banks	-	2,415	338	5,621	2,218	302	16,496	18,651	46,041
Customer accounts	199	2,918	14,693	56,394	19,404	1,422	33,373	54,005	182,408
Protected under Government insurance Schemes	7	-	1,253	2,468	326	-	-	69	4,123
Other Accounts	192	2,918	13,440	53,926	19,078	1,422	33,373	53,936	178,285
Total	199	5,333	15,031	62,015	21,622	1,724	49,869	72,656	228,449
Debt securities in issue:									
Senior debt	-	-	-	-	-	-	-	167	167
Other debt securities	-	2,775	307	4,695	-	103	17,012	23,987	48,879
Subordinated liabilities and other borrowed funds	-	-	-	-	-	-	-	19,610	19,610
Total	199	8,108	15,338	66,710	21,622	1,827	66,881	116,420	297,105

The above table includes financial instruments held at fair value (see note 15).

Standard Chartered Bank

Notes to the financial statements continued

3. Interest income

	2015 \$million	2014 \$million
Balances at central banks	238	246
Treasury bills	647	780
Loans and advances to banks	1,020	1,206
Loans and advances to customers	10,266	12,172
Listed debt securities	712	823
Unlisted debt securities	1,608	1,648
Accrued on impaired assets (discount unwind)	107	100
	14,598	16,975
Of which from financial instruments held at:		
Amortised cost	11,793	14,272
Available-for-sale	2,425	2,373
Held at fair value through profit or loss	380	330

4. Interest expense

	2015 \$million	2014 \$million
Deposits by banks	392	396
Customer accounts:		
Interest bearing current accounts and savings deposits	957	1,003
Time deposits	2,501	2,960
Debt securities in issue	465	529
Subordinated liabilities and other borrowed funds:		
Wholly repayable within five years	43	74
Other	734	908
	5,092	5,870
Of which interest expense on financial instruments held at:		
Amortised cost	4,959	5,430
Held at fair value through profit or loss	133	440

5. Net Fees and commission

	2015 \$million	2014 \$million
Transaction Banking	1,299	1,484
Financial Markets	172	353
Corporate Finance	297	454
Wealth Management	1,205	1,151
Retail Products	556	664
Others	38	44
	3,567	4,150

Total fee income arising from financial instruments that are not fair valued through profit or loss is \$1,190 million (2014: \$1,596 million) and arising from trust and other fiduciary activities of \$156 million (2014: \$156 million)

Total fee expense arising from financial instruments that are not fair valued through profit or loss is \$40 million (2014: \$111 million) and arising from trust and other fiduciary activities of \$25 million (2014: \$21 million)

Standard Chartered Bank

Notes to the financial statements continued

6. Net trading income

	2015 \$million	2014 \$million
Gains less losses on instruments held for trading:		
Foreign currency ¹	1,632	274
Trading securities	(577)	320
Interest rate derivatives	(685)	1,305
Credit and other derivatives	423	39
	793	1,938
Gains less losses from fair value hedging:		
Gains less losses from fair value hedged items	234	202
Gains less losses from fair value hedging instruments	(234)	(236)
	-	(34)
Gains less losses on instruments designated at fair value:		
Financial assets designated at fair value through profit or loss	(118)	(65)
Financial liabilities designated at fair value through profit or loss	(391)	(834)
Own credit adjustment (OCA)	495	100
Derivatives managed with financial instruments designated at fair value through profit or loss	160	741
	146	(58)
	939	1,846

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

2015 includes \$863 million valuation losses relating to the change in the methodology for calculating the credit and funding valuation adjustments

Gains less losses on instruments held for trading is presented by product type. Gains or losses on certain trading securities are offset by gains or losses within interest rate derivatives and credit and other derivatives.

7. Other operating income

	2015 \$million	2014 \$million
Other operating income includes:		
Rental income from operating lease assets	403	396
Gains less losses on disposal of financial instruments:		
Available-for-sale	332	426
Loans and receivables	4	29
Net profit on sale of businesses	222	-
Dividend income	101	96
Gain on disposal of property, plant and equipment	61	50
Receipt of tax refund related income	13	26
Fair value loss on business classified as held for sale	(4)	(15)

Standard Chartered Bank

Notes to the financial statements continued

8. Operating expenses

	2015 \$million	2014 \$million
Staff costs:		
Wages and salaries	4,895	5,011
Social security costs	152	168
Other pension costs (note 32)	299	333
Share-based payment costs (note 35)	183	280
Other staff costs	1,595	1,015
	7,124	6,807

Variable compensation is included within wages and salaries. Further details on director's remuneration are disclosed in note 14. Other staff costs primarily include redundancy and other restructuring expenses of \$695 million due to the ongoing strategic review. Other costs include training, travel costs and other staff related costs.

The following tables summarise the number of employees within the Group and Company

	2015		
Group	Business	Support Services	Total
As at 31 December	42,013	41,855	83,868
Average for the year	45,050	41,900	86,950

	2014		
	Business	Support Services	Total
As at 31 December	49,158	41,055	90,213
Average for the year	47,881	39,972	87,853

	2015		
Company	Business	Support Services	Total
As at 31 December	12,968	11,822	24,790
Average for the year	13,396	11,944	25,340

	2014		
	Business	Support Services	Total
As at 31 December	16,341	12,847	29,188
Average for the year	16,191	12,894	29,085

Transactions with directors, officers and other related parties are disclosed in note 43

Standard Chartered Bank

Notes to the financial statements continued

8. Operating expenses continued

	2015	2014
	\$million	\$million
Premises and equipment expenses:		
Rental of premises	432	454
Other premises and equipment costs	370	422
Rental of computers and equipment	22	24
	824	900

	2015	2014
	\$million	\$million
General administrative expenses:		
UK bank levy ¹	440	366
Civil monetary penalty ²	-	300
Other general administrative expenses	2,100	2,031
	2,540	2,697

¹ The UK bank levy is applied on the chargeable equities and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. The rate of the levy for 2015 is the blended rate of 0.197 per cent for chargeable short term liabilities, with a lower rate of 0.098 per cent generally applied to chargeable equity and long term liabilities (i.e. liabilities with a remaining maturity greater than one year)

² In August 2014, Standard Chartered reached a settlement with the New York Department of Financial Services (NYDFS) regarding deficiencies in its anti-money laundering transaction surveillance system at the New York branch

Standard Chartered Bank

Notes to the financial statements continued

8. Operating expenses continued

Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The following fees were payable by the Group to their principal auditor, KPMG LLP and its associates (together 'KPMG'):

	2015 \$million	2014 \$million
Audit fees for the Group statutory audit:		
Fees relating to the current year	3.9	3.9
Fees payable to KPMG for other services provided to the Group:		
Audit of Standard Chartered Bank subsidiaries, pursuant to legislation		
Fees relating to the current year	10.9	10.8
Total audit and audit related fees	14.8	14.7
Other services pursuant to legislation	5.4	3.1
Tax services	0.4	0.5
Services relating to corporate finance transactions	2.1	-
All other services	0.9	0.5
Total fees payable	23.6	18.8

The following is a description of the type of services included within the categories listed above:

- Audit fees are in respect of fees payable to KPMG LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered Bank. It excludes amounts payable for the audit of Standard Chartered Bank's subsidiaries and amounts payable to KPMG LLP's associates. These amounts have been included in 'Fees payable to KPMG for other services provided to the Group'.
- Other services pursuant to legislation include services for assurance and other services that are in relation to statutory and regulatory filings, including comfort letters and interim reviews.
- Tax services include tax compliance services and tax advisory services.
- Services related to corporate finance transactions include fees payable to KPMG for transaction related work irrespective of whether the Group is vendor or purchaser, such as acquisition due diligence and long-form reports.
During 2015, this included \$1.7 million in respect of the rights issue
- All other services include other assurance and advisory services such as translation services, ad hoc accounting advice, reporting accountants work on capital raising and review of financial models.

Expenses incurred during the provision of services and which have been reimbursed by the Group are included within auditor's remuneration.

In addition to the above, KPMG estimate they have been paid fees less than \$0.2 million (2014: less than \$0.2 million) by parties other than the Group but where the Group is connected with the contracting party and therefore may be involved in appointing KPMG. These fees arise from services such as the audit of the Group's pension schemes.

Fees payable to KPMG for non-audit services for Standard Chartered Bank are not separately disclosed because such fees are disclosed on a consolidated basis for the Group.

Standard Chartered Bank

Notes to the financial statements continued

9. Depreciation and amortisation

	2015 \$million	2014 \$million
Property, plant and equipment		
Premises	91	105
Equipment	88	95
Operating lease assets	199	176
	378	376
Intangibles:		
Software	205	165
Acquired on business combinations	39	57
	622	598

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

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

	2015 \$million	2014 \$million
Net charge against profit on loans and advances:		
Individual impairment charge	4,820	2,096
Portfolio impairment (release)/charge	(4)	38
	4,816	2,134
Impairment charges related to credit commitments	94	6
Impairment charge relating to debt securities classified as loans and receivables	66	1
Total impairment losses and other credit risk provisions on loans and advances	4,976	2,141

An analysis of impairment provisions on loans and advances by geography and client segment is set out within the Risk Review section.

11. Other impairment

	2015 \$million	2014 \$million
Impairment of goodwill	488	758
Impairment of fixed assets	28	-
Impairment losses on available-for-sale financial assets:		
- Debt securities	5	109
- Equity shares	142	47
	147	156
Impairment of investment in associates	46	97
Impairment of acquired intangible assets	1	8
Impairment of commodity assets	-	139
Other	40	9
	750	1,167
Recovery of impairment on disposal of equity instruments ¹	(18)	(6)
	732	1,161

¹ Relates to private equity instruments sold during the year which had impairment provisions raised against them in prior years

Standard Chartered Bank

Notes to the financial statements continued

12. Taxation

Determining the Group's taxation charge for the year involves a degree of estimation and judgement.

The following table provides analysis of taxation charge in the year:

	2015 \$million	2014 \$million
The charge for taxation based upon the (loss)/profits for the year comprises:		
Current tax:		
United Kingdom corporation tax at 20.25 per cent (2014: 21.5 per cent):		
Current tax (credit)/charge on income for the year	(16)	183
Adjustments in respect of prior years (including double taxation relief)	41	(130)
Double taxation relief	(4)	(8)
Foreign tax:		
Current tax on income for the year	1,073	1,455
Adjustments in respect of prior years	50	(29)
	1,144	1,471
Deferred tax:		
Origination/reversal of temporary differences	(514)	(25)
Adjustments in respect of prior years	31	81
	(483)	56
Tax on (loss)/profit on ordinary activities	661	1,527
Effective tax rate	nm¹	36.8%

¹ Not meaningful

The UK corporation tax rate was reduced from 21 per cent to 20 per cent with an effective date of 1 April 2015, giving a blended 20.25 per cent for the year.

Further reductions in the UK corporation tax rate to 19 per cent with an effective date of 1 April 2017 and to 18 per cent with an effective date of 1 April 2020 have been enacted at the balance sheet date. The rate reduction to 18 per cent did not have a significant impact on the Group.

Foreign taxation includes current taxation on Hong Kong profits of \$131 million (31 December 2014: \$207 million) on the profits assessable in Hong Kong.

Deferred taxation includes origination/reversal of temporary differences in Hong Kong profits of \$(12) million (2014: \$4 million) provided at a rate of 16.5 per cent (2014: 16.5 per cent) on the profits assessable to Hong Kong.

The tax charge for the year of \$661 million (2014: \$1,527 million) on a loss before taxation of \$1,407 million (2014: profit before taxation of \$4,147 million) reflected the impact of deferred tax assets not recognised and non-deductible goodwill impairment.

The taxation charge for the year is higher than the charge at the blended rate of corporation tax in the United Kingdom, 20.25 per cent. The differences are explained below:

	2015 \$million	2014 \$million
(Loss)/profit on ordinary activities before taxation	(1,407)	4,147
Tax at 20.25 per cent (2014 21.5 per cent)	(285)	892
Effects of:		
Tax free income	(184)	(244)
Lower tax rates on overseas earnings	(48)	(140)
Higher tax rates on overseas earnings	230	492
Adjustments to tax charge in respect of prior years	122	(78)
Goodwill impairment	99	163
Deferred tax not recognised	303	-
Non-deductible expenses	309	521
Other items	115	(79)
Tax on (loss)/profit on ordinary activities	661	1,527

Standard Chartered Bank

Notes to the financial statements continued

12. Taxation continued

	2015			2014		
	Current Tax \$million	Deferred Tax \$million	Total \$million	Current Tax \$million	Deferred Tax \$million	Total \$million
Tax recognised in other comprehensive income						
Available-for-sale assets	3	54	57	(16)	(53)	(69)
Cash flow hedges	-	(25)	(25)	-	31	31
Retirement benefit obligations	-	(10)	(10)	-	13	13
	3	19	22	(16)	(9)	(25)
Other tax recognised in equity						
Share-based payments	-	(6)	(6)	1	(2)	(1)
Total tax credit/(charge) recognised in equity	3	13	16	(15)	(11)	(26)

13. Dividends

Ordinary equity shares	2015	2014
Interim dividend per ordinary share (cents)	2.64	6.80
Interim dividend declared and paid during the year (\$million)	551	1,208
Preference shares	2015 \$million	2014 \$million
Non-cumulative redeemable preference shares:		
- 7.014 per cent preference shares of \$5 each ¹	53	53
- 6.409 per cent preference shares of \$5 each ¹	48	48

¹ Dividends on those preference shares classified as equity are recorded in the period in which they are declared

Standard Chartered Bank

Notes to the financial statements continued

14. Remuneration of Directors

Remuneration of directors is shown below:

Directors	Salary		Fixed Pay Allowance		Benefits		Variable remuneration		Vesting of performance shares		Buy-out award		Pension		Total	
	\$million		\$million		\$million		\$million		\$million		\$million		\$million		\$million	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
W T Winters ¹	1.17	-	1.17	-	0.09	-	-	-	-	-	9.93	-	0.47	-	12.83	-
A M G Rees	1.49	1.51	1.00	1.00	0.19	0.18	-	-	-	0.30	-	-	1.81	3.95	4.49	6.94
A N Halford	1.30	0.76	0.7	0.38	0.16	0.05	-	0.87	-	-	-	1.88	0.52	0.30	2.68	4.24
T J Clarke	0.78	0.83	0.58	0.58	0.07	0.06	-	0.66	-	0.12	-	-	0.3	0.69	1.73	2.94
Former directors ⁶																
J S Bindra ³	0.42	0.84	0.29	0.58	0.53	0.97	-	-	-	0.19	-	-	0.20	0.41	1.44	2.99
R Goulding ⁴	0.42	0.91	0.29	0.58	0.02	0.04	-	0.50	-	0.15	-	-	0.13	0.27	0.86	2.45
P A Sands ²	0.76	1.83	0.49	1.10	0.23	0.29	-	-	-	0.38	-	-	0.50	1.50	1.98	5.10
V Shankar ³	0.44	0.87	0.29	0.58	0.36	0.65	-	-	-	0.15	-	-	0.17	0.35	1.26	2.60
J Verplancke ⁵	0.19	0.82	0.14	0.58	0.13	0.60	-	0.66	-	0.14	-	-	0.06	0.25	0.52	3.05

¹ Bill Winters joined the Court on 10 June 2015. The remuneration disclosed for 2015 include the period between when he joined the Group on 1 May and 10 June 2015

² Peter Sands resigned from the Court on 10 June 2015

³ Jaspal Bindra and V Shankar resigned from the Court on 30 June 2015. The benefits figures for Jaspal Bindra and V Shankar have been restated from those shown in the 2014 directors' remuneration report (previously \$933,511 and \$645,414 respectively)

⁴ Richard Goulding resigned from the Court on 30 June 2015

⁵ Jan Verplancke resigned from the Court on 31 March 2015

⁶ For former directors, the table shows remuneration for the period for which they were appointed

Additional information on the remuneration elements in the above single total figure table

Salaries of directors

Director	Salary from 1 January 2015	Salary from 1 April 2015 (or date of appointment)
	\$million	\$million
W T Winters	-	1.757
A M G Rees	1.490	1.490
A N Halford	1.299	1.299
T J Clarke	0.779	0.779

Standard Chartered Bank

Notes to the financial statements continued

14. Remuneration of Directors continued

Benefits

All directors received private medical cover, life assurance, ill-health income protection, and an allowance in respect of taxation advice and a car and, for some of the directors, the use of a company vehicle and driver for business purposes. Some directors use a Group car service for travelling and had spouse travel expense benefits. The Group paid the tax on these benefits.

In 2015 Jaspal Bindra, V Shankar and Jan Verplancke received accommodation benefits during their period of appointment (of \$381,544, \$268,310 and \$38,006 respectively) as they were undertaking responsibilities in an international location, and in line with market practice, received certain expatriate benefits.

Buy-out award for Bill Winters

In June 2015, Bill Winters joined the Group and became a director of the Court. As part of Bill's remuneration arrangements, he received a buy-out award in respect of share interests forfeited as a consequence of leaving his previous role to join the Group. The buy-out takes the form of restricted shares with a face value of \$9.93 million. These shares will vest (i.e. the restrictions will lift) in three equal tranches in September 2018, 2019 and 2020, subject to continued employment with the Group.

Incentives

In light of the Group's financial performance in 2015, it was determined that all directors (including those former directors remaining eligible) should have zero annual incentive outcomes for 2015. This decision was arrived at following consideration of the specific performance measures applicable to variable remuneration determinations and the wider financial Group performance. LTIP awards may be granted to current directors in March 2016 (or May 2016 the case of those directors who are also directors of Standard Chartered PLC as shareholder approval is required). The LTIP will be delivered in shares and subject to the satisfaction of long-term performance measures. Any value realised from such awards will be shown in the single figure table disclosure for the year in which they vest.

Historical long term incentive awards

The value of the long-term incentives which vested as a result of the performance period that ended in 2015 is zero on the basis that performance conditions have not been met.

Pension

Mike Rees, Tracy Clarke and Peter Sands were contractually entitled to participate in a defined benefit pension plan, with a headline entitlement of 1/30th of salary for each year of service and, in the case of Tracy Clarke, this is a 1/60th.

Jaspal Bindra elected in 2013 to give up his future defined benefit pension accrual and replace it with an individually costed pension allowance (of 49 per cent of salary). Jaspal's pension benefit in 2015 was payable in cash.

Bill Winters, Andy Halford, and V Shankar received cash allowances of 40 per cent of their salary.

Richard Goulding and Jan Verplancke receive a defined contribution of 30 per cent of their salary.

The Group's approved defined benefit scheme is not open to new joiners but existing members continue to accrue additional rights. This arrangement is supplemented by the Group's unfunded unapproved plan for longer serving directors and senior employees.

Mike Rees, Tracy Clarke and Peter Sands (for as long as he was an employee) continue to participate in both of these arrangements and their prospective defined benefits entitlement as at 31 December 2015 are detailed below.

Director	Rights as at 31 December 2015 \$million
A M G Rees	0.82
T J Clarke	0.36
Former directors	
J S Bindra	0.29
P A Sands	0.72

Standard Chartered Bank

Notes to the financial statements continued

14. Remuneration of Directors continued

Compensation for loss of office and payments to former Directors

Following their retirement from the Court, Jaspal Bindra, Richard Goulding, Peter Sands, V Shankar, and Jan Verplancke each received the following payments, on a monthly basis:

- Jaspal Bindra: from 1 July 2015 to 31 December 2015 received salary of \$419,000, fixed pay allowances of \$287,500 and benefits and pension of \$737,000, plus appropriate professional legal fees of \$6,000 incurred by him in respect of finalising his termination arrangements.
- Richard Goulding: from 1 July 2015 to 31 December 2015 received salary of \$420,000, fixed pay allowances of \$287,500 and benefits and pension of \$143,000, plus appropriate professional legal fees of \$7,000 incurred by him in respect of finalising his termination arrangements.
- Peter Sands: from 10 June 2015 to 31 December 2015 received salary of \$953,000, fixed pay allowances of \$612,500 and benefits and pension of \$716,500, plus appropriate professional legal fees of \$4,584 incurred by him in respect of finalising his termination arrangements. He also received payment in lieu of notice of \$285,000.
- V Shankar: from 1 July 2015 to 11 October received salary of \$244,000, fixed pay allowances of \$144,000 and benefits and pension of \$273,000 plus appropriate professional legal fees of \$4,584 incurred by him in respect of finalising his termination arrangements. He also received a statutory gratuity of \$287,000 per UAE employment law.
- Jan Verplancke: from 1 April 2015 to 30 June 2015 received salary of \$195,000, fixed pay allowances of \$144,000 and benefits and pension of \$472,000.

In addition, the Group's remuneration committee exercised its discretion in accordance with the rules of the share plan rules and determined that all former directors should be treated as eligible leavers and as such be allowed to retain any unvested share awards. These awards will continue to vest over the original vesting periods and remain subject to the application of malus and claw-back and the satisfaction of the performance conditions.

Other disclosures

The remuneration policy and practices applying to the Material Risk Taker employees of the Bank are the same as those applied by the SC PLC Group which are set out in the SC PLC Group's 2015 Directors' remuneration report on pages 99 to 141.

Further information on the remuneration for those directors who are also executive directors of the SC PLC Group can be found in the SC PLC Group's 2015 Directors' remuneration report on pages 115 to 116.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments

Classification

The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The Group's classification of its financial assets and liabilities is summarised in the following tables.

Group

Assets	Notes	Assets at fair value				Assets at amortised cost			Total
		Trading	Derivatives held for hedging	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Held-to-maturity	Non-financial assets	
		\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Cash and balances at central banks		-	-	-	-	65,312	-	-	65,312
Financial assets held at fair value through profit or loss									
Loans and advances to banks ¹		1,942	-	333	-	-	-	-	2,275
Loans and advances to customers ¹		3,008	-	1,039	-	-	-	-	4,047
Treasury bills and other eligible bills	16	859	-	-	-	-	-	-	859
Debt securities	16	12,896	-	389	-	-	-	-	13,285
Equity shares	16	2,152	-	623	-	-	-	-	2,775
		20,857	-	2,384	-	-	-	-	23,241
Derivative financial instruments	17	63,898	689	-	-	-	-	-	64,587
Loans and advances to banks ¹	18	-	-	-	-	64,492	-	-	64,492
Loans and advances to customers ¹	19	-	-	-	-	257,228	-	-	257,228
Investment securities									
Treasury bills and other eligible bills	21	-	-	-	32,453	-	-	-	32,453
Debt securities	21	-	-	-	77,684	2,649	210	-	80,543
Equity shares	21	-	-	-	1,553	-	-	-	1,553
		-	-	-	111,690	2,649	210	-	114,549
Other assets	22	-	-	-	-	32,312	-	2,184	34,496
Total at 31 December 2015		84,755	689	2,384	111,690	421,993	210	2,184	623,905
Cash and balances at central banks		-	-	-	-	97,282	-	-	97,282
Financial assets held at fair value through profit or loss									
Loans and advances to banks ¹		3,368	-	242	-	-	-	-	3,610
Loans and advances to customers ¹		2,833	-	1,071	-	-	-	-	3,904
Treasury bills and other eligible bills	16	1,720	-	92	-	-	-	-	1,812
Debt securities	16	17,735	-	-	-	-	-	-	17,735
Equity shares	16	4,462	-	882	-	-	-	-	5,344
		30,118	-	2,287	-	-	-	-	32,405
Derivative financial instruments	17	65,546	771	-	-	-	-	-	66,317
Loans and advances to banks ¹	18	-	-	-	-	83,885	-	-	83,885
Loans and advances to customers ¹	19	-	-	-	-	284,548	-	-	284,548
Investment securities									
Treasury bills and other eligible bills	21	-	-	-	24,073	-	16	-	24,089
Debt securities	21	-	-	-	74,937	2,753	122	-	77,812
Equity shares	21	-	-	-	2,022	-	-	-	2,022
		-	-	-	101,032	2,753	138	-	103,923
Other assets	22	-	-	-	-	30,590	-	7,935	38,525
Total at 31 December 2014		95,664	771	2,287	101,032	499,058	138	7,935	706,885

¹ Further analysed in Risk review on pages 54 to 96

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Classification continued

Group

		Liabilities at fair value					
		Trading	Derivatives held for hedging	Designated at fair value through profit or loss	Amortised cost	Non-financial liabilities	Total
Liabilities	Notes	\$million	\$million	\$million	\$million	\$million	\$million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		-	-	637	-	-	637
Customer accounts		-	-	8,494	-	-	8,494
Debt securities in issue		-	-	8,917	-	-	8,917
Short positions		2,824	-	-	-	-	2,824
		2,824	-	18,048	-	-	20,872
Derivative financial instruments	17	61,475	1,111	-	-	-	62,586
Deposits by banks		-	-	-	37,526	-	37,526
Customer accounts		-	-	-	350,633	-	350,633
Debt securities in issue	28	-	-	-	42,587	-	42,587
Other liabilities	29	-	-	-	31,503	466	31,969
Subordinated liabilities and other borrowed funds	30	-	-	-	20,716	-	20,716
Total at 31 December 2015		64,299	1,111	18,048	482,965	466	566,889
Financial liabilities held at fair value through profit or loss							
Deposits by banks		-	-	932	-	-	932
Customer accounts		-	-	8,836	-	-	8,836
Debt securities in issue		-	-	8,837	-	-	8,837
Short positions		3,785	-	-	-	-	3,785
		3,785	-	18,605	-	-	22,390
Derivative financial instruments	17	63,245	939	-	-	-	64,184
Deposits by banks		-	-	-	54,301	-	54,301
Customer accounts		-	-	-	405,353	-	405,353
Debt securities in issue	28	-	-	-	53,313	-	53,313
Other liabilities	29	-	-	-	30,085	1,113	31,198
Subordinated liabilities and other borrowed funds	30	-	-	-	21,362	-	21,362
Total at 31 December 2014		67,030	939	18,605	564,414	1,113	652,101

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Classification continued

Company

Assets	Notes	Assets at fair value			Assets at amortised cost				Total \$million
		Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Available- for-sale \$million	Loans and receivables \$million	Held-to- maturity \$million	Non-financial assets \$million	
Cash and balances at central banks		-	-	-	-	49,916	-	-	49,916
Financial assets held at fair value through profit or loss									
Loans and advances to banks ¹		1,942	-	289	-	-	-	-	2,231
Loans and advances to customers ¹		2,987	-	878	-	-	-	-	3,865
Treasury bills and other eligible bills	16	240	-	-	-	-	-	-	240
Debt securities	16	7,690	-	-	-	-	-	-	7,690
Equity shares	16	1,906	-	-	-	-	-	-	1,906
		14,766	-	1,166	-	-	-	-	15,932
Derivative financial instruments	17	62,241	573	-	-	-	-	-	62,814
Loans and advances to banks ¹	18	-	-	-	-	40,089	-	-	40,089
Loans and advances to customers ¹	19	-	-	-	-	118,763	-	-	118,763
Investment securities									
Treasury bills and other eligible bills	21	-	-	-	15,122	-	-	-	15,122
Debt securities	21	-	-	-	44,055	1,311	210	-	45,576
Equity shares	21	-	-	-	698	-	-	-	698
		-	-	-	59,875	1,311	210	-	61,396
Other assets	22	-	-	-	-	22,537	-	1,742	24,279
Total at 31 December 2015		77,007	573	1,166	59,875	232,616	210	1,742	373,189
Cash and balances at central banks		-	-	-	-	82,728	-	-	82,728
Financial assets held at fair value through profit or loss									
Loans and advances to banks ¹		3,368	-	242	-	-	-	-	3,610
Loans and advances to customers ¹		2,626	-	948	-	-	-	-	3,574
Treasury bills and other eligible bills	16	769	-	-	-	-	-	-	769
Debt securities	16	10,439	-	-	-	-	-	-	10,439
Equity shares	16	3,949	-	166	-	-	-	-	4,115
		21,151	-	1,356	-	-	-	-	22,507
Derivative financial instruments	17	62,318	1,147	-	-	-	-	-	63,465
Loans and advances to banks ¹	18	-	-	-	-	48,689	-	-	48,689
Loans and advances to customers ¹	19	-	-	-	-	126,642	-	-	126,642
Investment securities									
Treasury bills and other eligible bills	21	-	-	-	7,429	-	16	-	7,445
Debt securities	21	-	-	-	39,722	921	122	-	40,765
Equity shares	21	-	-	-	783	-	-	-	783
		-	-	-	47,934	921	138	-	48,993
Other assets	22	-	-	-	-	20,196	-	4,571	24,767
Total at 31 December 2014		83,469	1,147	1,356	47,934	279,176	138	4,571	417,791

¹ Further analysed in Risk and capital review on pages 54 to 96

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Classification continued

Company

Liabilities	Notes	Liabilities at fair value					Total
		Trading	Derivatives held for hedging	Designated at fair value through profit or loss	Amortised cost	Non-financial liabilities	
		\$million	\$million	\$million	\$million	\$million	\$million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		-	-	368	-	-	368
Customer accounts		-	-	4,699	-	-	4,699
Debt securities in issue		-	-	5,856	-	-	5,856
Short positions		1,665	-	-	-	-	1,665
		1,665	-	10,923	-	-	12,588
Derivative financial instruments	17	59,636	1,086	-	-	-	60,722
Deposits by banks		-	-	-	31,317	-	31,317
Customer accounts		-	-	-	150,002	-	150,002
Debt securities in issue	28	-	-	-	37,716	-	37,716
Other liabilities	29	-	-	-	20,108	251	20,359
Subordinated liabilities and other borrowed funds	30	-	-	-	19,040	-	19,040
Total at 31 December 2015		61,301	1,086	10,923	258,183	251	331,744
Financial liabilities held at fair value through profit or loss							
Deposits by banks		-	-	333	-	-	333
Customer accounts		-	-	3,761	-	-	3,761
Debt securities in issue		-	-	4,554	-	-	4,554
Short positions		2,093	-	-	-	-	2,093
		2,093	-	8,648	-	-	10,741
Derivative financial instruments	17	60,727	782	-	-	-	61,509
Deposits by banks		-	-	-	45,708	-	45,708
Customer accounts		-	-	-	178,647	-	178,647
Debt securities in issue	28	-	-	-	44,492	-	44,492
Other liabilities	29	-	-	-	17,709	246	17,955
Subordinated liabilities and other borrowed funds	30	-	-	-	19,610	-	19,610
Total at 31 December 2014		62,820	782	8,648	306,166	246	378,662

Valuation of financial instruments

All financial instruments are initially recognised at fair value on the date of recognition as described within the accounting policies in note 1. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs.

Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison to instruments with characteristics similar to those of the instruments held by the Group.

Valuation control framework

The Valuation Control function is responsible for independent price verification, oversight of fair value adjustments and escalation of valuation issues. Independent price verification is the process of ensuring that the valuations incorporated into the financial statements are validated independent of the Business area responsible for the product. The Valuation Control function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. In inactive markets, direct observation of a traded price may not be possible. The market data used for price verification may include those sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Control performs a semi-annual review of the suitability of the market data used for price testing.

Price verification uses independently sourced data that is deemed most representative of the market in which the instruments are traded. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Classification continued

Formal committees for the business clusters, consisting of representatives from Group Market Risk, Product Control, Valuation Control and the Business meet monthly to discuss and approve the valuations of the inventory. The business cluster valuation committees fall under the Valuation Benchmarks Committee (VBC) as part the of the valuation governance structure.

Valuation hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values.

Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Directly or indirectly observable inputs other than unadjusted quoted prices included within level 1 that are observable	Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs)
Types of financial assets:	Actively traded government and other securities Listed equities Listed derivative instruments Investments in publicly traded mutual funds with listed market prices	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives Asset backed securities	Asset backed securities Private equity investments Highly structured OTC derivatives with unobservable inputs Illiquid or highly structured corporate bonds with unobservable inputs Illiquid loans and advances
Types of financial liabilities:	Listed derivative instruments	OTC derivatives Structured deposits Credit structured debt securities in issue	Highly structured OTC derivatives with unobservable inputs. Illiquid or highly structured debt securities in issue with unobservable inputs

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Valuation of financial instruments continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2015.

Group

	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Assets				
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	-	2,275	-	2,275
Loans and advances to customers	-	3,815	232	4,047
Treasury bills and other eligible bills	810	49	-	859
Debt securities	4,492	8,537	256	13,285
Of which:				
Government bonds	4,181	3,993	12	8,186
Issued by corporates other than financial institutions	21	2,555	141	2,717
Issued by financial institutions	290	1,989	103	2,382
Equity shares	2,122	-	653	2,775
Derivative financial instruments	736	63,373	478	64,587
Of which:				
Foreign exchange	67	48,328	291	48,686
Interest rate	1	11,753	9	11,763
Commodity	668	2,837	-	3,505
Credit	-	303	35	338
Equity and stock index	-	152	143	295
Investment securities				
Treasury bills and other eligible bills	28,978	3,393	82	32,453
Debt securities	34,868	42,559	257	77,684
Of which:				
Government bonds	20,435	10,356	53	30,844
Issued by corporates other than financial institutions	10,005	8,818	204	19,027
Issued by financial institutions	4,428	23,385	-	27,813
Equity shares	831	7	715	1,553
At 31 December 2015	72,837	124,008	2,673	199,518
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposit by banks	-	637	-	637
Customer accounts	-	8,493	1	8,494
Debt securities in issues	-	8,422	495	8,917
Short positions	1,222	1,602	-	2,824
	1,222	19,154	496	20,872
Derivative financial instruments	695	61,572	319	62,586
Of which:				
Foreign exchange	86	47,770	246	48,072
Interest rate	-	12,502	38	12,540
Commodity	609	817	-	1,426
Credit	-	300	14	314
Equity and stock index	-	213	21	234
At 31 December 2015	1,917	80,726	815	83,458

There have been no significant changes to valuation or levelling approaches in 2015.

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Valuation of financial instruments continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2014.

Group

	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Assets				
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	-	3,610	-	3,610
Loans and advances to customers	-	3,264	640	3,904
Treasury bills and other eligible bills	1,578	234	-	1,812
Debt securities	8,466	8,874	395	17,735
Of which:				
Government bonds	8,158	1,519	-	9,677
Issued by corporates other than financial institutions	84	2,861	187	3,132
Issued by financial institutions	224	4,494	208	4,926
Equity shares	4,754	-	590	5,344
Derivative financial instruments	759	64,983	575	66,317
Of which:				
Foreign exchange	40	44,136	379	44,555
Interest rate	-	15,169	47	15,216
Commodity	719	4,983	-	5,702
Credit	-	420	20	440
Equity and stock index	-	275	129	404
Investment securities				
Treasury bills and other eligible bills	20,895	3,178	-	24,073
Debt securities	30,696	43,881	360	74,937
Of which:				
Government bonds	16,321	6,053	66	22,440
Issued by corporates other than financial institutions	9,790	9,713	289	19,792
Issued by financial institutions	4,585	28,115	5	32,705
Equity shares	1,249	6	767	2,022
At 31 December 2014	68,397	128,030	3,327	199,754
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposit by banks	-	932	-	932
Customer accounts	-	8,835	1	8,836
Debt securities in issues	-	8,629	208	8,837
Short positions	3,267	518	-	3,785
Derivative financial instruments	863	63,025	296	64,184
Of which:				
Foreign exchange	102	45,156	240	45,498
Interest rate	-	14,205	16	14,221
Commodity	761	2,161	-	2,922
Credit	-	955	10	965
Equity and stock index	-	548	30	578
At 31 December 2014	4,130	81,939	505	86,574

There have been no significant changes to valuation or levelling approaches in 2014.

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Valuation of financial instruments continued

The tables below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2015

Company

	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Assets				
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	-	2,231	-	2,231
Loans and advances to customers	-	3,633	232	3,865
Treasury bills and other eligible bills	239	1	-	240
Debt securities	2,069	5,365	256	7,690
Of which:				
Government bonds	1,973	2,038	12	4,023
Issued by corporates other than financial institutions	20	1,743	141	1,904
Issued by financial institutions	76	1,584	103	1,763
Equity shares	1,904	-	2	1,906
Derivative financial instruments	728	61,658	428	62,814
Of which:				
Foreign exchange	60	46,908	283	47,251
Interest rate	-	11,423	6	11,429
Commodity	668	2,835	-	3,503
Credit	-	284	35	319
Equity and stock index	-	208	104	312
Investment securities				
Treasury bills and other eligible bills	14,083	1,039	-	15,122
Debt securities	23,829	20,106	120	44,055
Of which:				
Government bonds	11,010	5,992	8	17,010
Issued by corporates other than financial institutions	9,439	3,254	112	12,805
Issued by financial institutions	3,380	10,860	-	14,240
Equity shares	574	-	124	698
At 31 December 2015	43,426	94,033	1,162	138,621
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposit by banks	-	368	-	368
Customer accounts	-	4,699	-	4,699
Debt securities in issues	-	5,623	233	5,856
Short positions	746	919	-	1,665
	746	11,609	233	12,588
Derivative financial instruments	692	59,668	362	60,722
Of which:				
Foreign exchange	83	46,555	301	49,939
Interest rate	-	11,709	31	11,740
Commodity	609	825	-	1,434
Credit	-	356	14	370
Equity and stock index	-	223	16	239
At 31 December 2015	1,438	71,277	595	73,310

There have been no significant changes to valuation or levelling approaches in 2015.

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Valuation of financial instruments continued

The tables below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2014

Company

	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Assets				
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	-	3,610	-	3,610
Loans and advances to customers	-	2,934	640	3,574
Treasury bills and other eligible bills	625	144	-	769
Debt securities	3,109	6,936	394	10,439
Of which:				
Government bonds	3,005	1,336	-	4,341
Issued by corporates other than financial institutions	83	1,683	186	1,952
Issued by financial institutions	21	3,917	208	4,146
Equity shares	4,115	-	-	4,115
Derivative financial instruments	772	62,179	514	63,465
Of which:				
Foreign exchange	53	42,094	365	42,512
Interest rate	-	14,226	42	14,268
Commodity	719	4,975	-	5,694
Credit	-	454	20	474
Equity and stock index	-	430	87	517
Investment securities				
Treasury bills and other eligible bills	5,916	1,513	-	7,429
Debt securities	16,806	22,754	162	39,722
Of which:				
Government bonds	5,168	5,270	-	10,438
Issued by corporates other than financial institutions	8,783	4,393	157	13,333
Issued by financial institutions	2,855	13,091	5	15,951
Equity shares	673	13	97	783
At 31 December 2014	32,016	100,083	1,807	133,906
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposit by banks	-	333	-	333
Customer accounts	-	3,761	-	3,761
Debt securities in issues	-	4,460	94	4,554
Short positions	1,575	518	-	2,093
Derivative financial instruments	834	60,403	272	61,509
Of which:				
Foreign exchange	73	43,711	242	44,026
Interest rate	-	12,970	4	12,974
Commodity	761	2,172	-	2,933
Credit	-	931	10	941
Equity and stock index	-	619	16	635
At 31 December 2014	2,409	69,475	366	72,250

There have been no significant changes to valuation or levelling approaches in 2014.

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Valuation techniques

Loans and advances

These include loans in the global syndications underwriting book which are not syndicated yet. These loans are generally bilateral in nature and their valuation is primarily based on recent trades or proxies, i.e. comparable loans with similar credit grade, sector, etc. Products are classified as Level 2 in cases where observable credit spreads applicable to those products are available. Where there are no recent transactions and reliable comparable loans to proxy from, the valuation of these loans is based on unobservable inputs resulting in them being classified as Level 3.

Debt securities - Asset backed securities

Due to the lack of liquidity in the market and the prolonged period of time under which many securities have not traded, obtaining external prices is not a strong enough measure to determine whether an asset has an observable price or not. Therefore, once external pricing has been verified, an assessment is made whether each security is traded with significant liquidity based on its credit rating and sector. If a security is of high credit rating and is traded in a liquid sector, it will be classified as Level 2, otherwise it will be classified as Level 3. Where third party pricing is not available, the valuation of the security will be estimated from market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings. These securities are also classified as Level 3.

Other debt securities

These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuation of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

Equity shares - Private Equity

The majority of private equity investments are valued based on earning multiples - Price-to-Earnings (P/E) or Enterprise Value to Earning Before Income Tax, Depreciation and Amortisation (EV/EBITDA) ratios - of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. In circumstances where an investment does not have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternate valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or level 3 inputs, may be applied. Even though earning multiples for the comparable listed companies can be sourced from third party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, OTC prices) are classified as Level 3 on the grounds that the valuation methods involve judgments ranging from determining comparable companies to discount rates where the discounted cash flow method is applied.

Derivatives

Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. These unobservable correlation parameters could only be implied from the market, through methods such as historical analysis and comparison to historical levels or benchmark data.

Debt securities in issue

These debt securities relate to structured notes issued by the Group. These positions are classified as Level 2 where independent market data is available through pricing vendors and brokers. Where such liquid external prices are not available, valuation of these debt securities are implied using input parameters such as bond spreads and credit spreads are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. In total, the Group has made \$1,435 million (2014: \$432 million) of valuation adjustments in determining fair value for financial assets and financial liabilities classified as Level 2 or 3 financial instruments. The main adjustments are described below:

	2015	2014
	\$ million	\$ million
Valuation adjustments		
Bid-offer	72	66
Credit ¹	815	160
Model	13	14
Funding Valuation Adjustment	366	111
Others (including Day 1)	169	81
Total	1,435	432

¹ Includes own debit valuation adjustments on derivatives

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Bid-Offer Valuation Adjustments

Where market parameters are marked on a mid-market basis in the revaluation systems, a bid-offer valuation adjustment is required to quantify the expected cost of neutralising the Business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the grouping of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems.

Credit Valuation Adjustments

The Group makes a credit valuation adjustment (CVA) against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by applying the probability of default (PD) on the potential estimated future positive exposure of the counterparty using market-implied PD. Where market implied data is not readily available we use market based proxies to estimate the PD. The methodologies do not, in general, account for 'wrong-way risk'. Wrong-way risk arises when the underlying value of the derivative prior to any CVA is positively correlated to the probability of default by the counterparty. The Group continues to include 'wrong-way risk' in its Prudential Valuation Adjustments. The CVA calculation was previously based on an expected counterparty loss calculation using historical default probabilities. As at 31 December 2015 the calculation was revised to use market-implied PD. The change in approach reduced net trading income by \$712 million.

Own Credit Adjustments

The Group calculates own credit adjustments to reflect changes in its own credit standing. The Group's own credit adjustments are calculated on its derivative liabilities and issued debt designated at fair value, including structured notes. The Group's own credit adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's own credit adjustments will reverse over time as its liabilities mature.

For derivative liabilities, an own credit adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on internally assessed credit ratings and market standard recovery levels. The expected exposure is modelled based on simulation methodology and is generated through simulation of underlying risk factors over the life of the deal booked against the particular counterparty. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements. The methodology used to determine an own credit adjustment on derivative liabilities is consistent with the methodology used to determine credit valuation adjustment (CVA) on derivative assets.

For issued debt and structured notes designated at fair value, an own credit adjustment is determined by discounting the contractual cash flows using a yield curve adjusted for market observed secondary senior debt issuance spreads above average interbank rates.

Model Valuation Adjustments

Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model.

Funding Valuation Adjustments

The Group makes a funding valuation adjustment (FVA) against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflects the market cost of funding. The FVA adjustment for collateralised derivatives is based on discounting the expected future cash flows at the relevant overnight indexed swap (OIS) rate after taking into consideration the terms of the underlying collateral agreement with the counterparty. The funding valuation adjustment for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions. The FVA calculation was previously based on the Bank's internal funding rates. As at 31 December 2015 the calculation was revised to use market based rates. The change in approach reduced net trading income by \$151 million.

Day One Profit and Loss

A financial instrument is initially recognised at fair value, which is generally its transaction price. In cases where the value obtained from the relevant valuation model differs from the transaction price, we record the asset or liability based on our valuation model, but do not recognise that initial difference in profit and loss unless the inputs to the valuation model are observable.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Level 3 movement tables

Financial Assets

Group

	Held at fair value through profit or loss				Investment securities			Total
	Loans and advances to customers	Debt securities	Equity shares	Derivative financial instruments	Treasury bills	Debt securities	Equity shares	
Assets	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2015	640	395	590	575	-	360	767	3,327
Total (losses)/gains recognised in income statement	(441)	5	(62)	22	-	(17)	(34)	(527)
- Net Trading income	(441)	5	(62)	22	-	-	9	(467)
- Other Operating income	-	-	-	-	-	-	30	30
- Other Impairment	-	-	-	-	-	(17)	(73)	(90)
Total losses recognised in other comprehensive income	-	-	-	(4)	(1)	(49)	(21)	(75)
- Available-for-sale reserve	-	-	-	-	-	(29)	(15)	(44)
- Exchange difference	-	-	-	(4)	(1)	(20)	(6)	(31)
Purchases	3	80	347	101	44	-	330	905
Sales	-	(161)	(237)	(72)	-	(116)	(255)	(841)
Settlements	-	(25)	-	(81)	(22)	(52)	-	(180)
Transfers out	-	(185)	-	(78)	(78)	(123)	(72)	(536)
Transfers in	30	147	15	15	139	254	-	600
At 31 December 2015	232	256	653	478	82	257	715	2,673
Total (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2015	(430)	6	(52)	33	-	(17)	(9)	(469)

Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the year.

Transfers out during the year primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Level 3 movement tables continued

Financial Assets

Group

	Held at fair value through profit or loss				Investment securities			
	Loans and advances to customers	Debt securities	Equity shares	Derivative financial instruments	Treasury bills	Debt securities	Equity shares	Total
Assets	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2014	720	159	745	598	19	608	1,269	4,118
Total (losses)/gains recognised in income statement	(181)	7	(62)	(12)	-	(10)	185	(73)
- Net Trading income	(181)	7	(62)	(12)	-	-	-	(248)
- Other Operating income	-	-	-	-	-	-	201	201
- Other Impairment	-	-	-	-	-	(10)	(16)	(26)
Total losses recognised in other comprehensive income	-	-	-	-	-	(66)	(134)	(200)
- Available for Sale reserves	-	-	-	-	-	(40)	(134)	(174)
- Cash flow hedge reserves	-	-	-	-	-	-	-	-
- Exchange difference	-	-	-	-	-	(26)	-	(26)
Purchases	192	237	318	92	-	17	229	1,085
Sales	(231)	(2)	(219)	(6)	-	(83)	(798)	(1,339)
Settlements	(61)	(19)	-	(107)	-	(34)	-	(221)
Transfers out	(6)	(3)	(192)	(3)	(19)	(127)	-	(350)
Transfers in	207	16	-	13	-	55	16	307
At 31 December 2014	640	395	590	575	-	360	767	3,327
Total (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2014	(154)	5	55	29	-	(37)	(16)	(118)

Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the year.

Transfers out during the year primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Level 3 movement tables continued

Company

	Held at fair value through profit or loss				Investment securities			Total
	Loans and advances to customers	Debt securities	Equity shares	Derivative financial instruments	Treasury bills	Debt securities	Equity shares	
Assets	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2015	640	394	-	514	-	162	97	1,807
Total (losses)/gains recognised in income statement	(441)	5	3	(9)	-	-	11	(431)
- Net Trading income	(441)	5	3	(9)	-	-	11	(431)
Total losses recognised in other comprehensive income	-	-	-	-	-	(38)	-	(38)
- Available-for-sale reserve	-	-	-	-	-	(28)	-	(28)
- Exchange difference	-	-	-	-	-	(10)	-	(10)
Purchases	3	80	-	105	-	-	26	214
Sales	-	(161)	(16)	(73)	-	(116)	(10)	(376)
Settlements	-	(25)	-	(50)	(22)	(5)	-	(102)
Transfers out	-	(184)	-	(75)	-	(80)	-	(339)
Transfers in	30	147	15	16	22	197	-	427
At 31 December 2015	232	256	2	428	-	120	124	1,162
Total (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2015	(430)	6	(1)	5	-	-	11	(409)

Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the year.

Transfers out during the year primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Level 3 movement tables continued

Company

	Held at fair value through profit or loss				Investment securities			Total
	Loans and advances to customers	Debt securities	Equity shares	Derivative financial instruments	Treasury bills	Debt securities	Equity shares	
Assets	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2014	720	170	-	536	-	319	105	1,850
Total (losses)/gains recognised in income statement	(181)	3	-	(16)	-	(44)	-	(238)
- Net Trading income	(181)	3	-	(16)	-	-	-	(194)
- Other Operating income	-	-	-	-	-	-	-	-
- Other Impairment	-	-	-	-	-	(44)	-	(44)
Total losses recognised in other comprehensive income	-	-	-	-	-	(40)	(2)	(42)
- Available for Sale reserves	-	-	-	-	-	(40)	(2)	(42)
- Cash flow hedge reserves	-	-	-	-	-	-	-	-
Purchases	192	238	-	68	-	8	3	509
Sales	(231)	(16)	-	(6)	-	(4)	(8)	(265)
Settlements	(61)	-	-	(79)	-	(78)	-	(218)
Transfers out	(6)	(1)	-	-	-	-	-	(7)
Transfers in	207	-	-	11	-	1	(1)	218
At 31 December 2014	640	394	-	514	-	162	97	1,807
Total (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2014	(154)	2	-	2	-	(37)	-	(187)

Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the year.

Transfers out during the year primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Level 3 movement tables continued

Financial liabilities

Group

	2015				2014			
	Customer Accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Total \$million	Customer Accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Total \$million
Liabilities								
At 1 January	1	208	296	505	8	39	441	488
Total (gains)/losses recognised in the income statement	-	11	6	17	-	3	(17)	(14)
- Net trading income	-	11	6	17	-	3	(17)	(14)
Issues	-	310	40	350	-	159	24	183
Settlements	-	(176)	(26)	(202)	(7)	(24)	(150)	(181)
Transfers out	-	-	(3)	(3)	-	-	-	-
Transfers in	-	142	6	148	-	31	(2)	29
At 31 December	1	495	319	815	1	208	296	505
Total losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December	-	-	16	16	-	5	29	34

Transfers in during the year primarily relate to certain financial instruments for which parameters became unobservable during the year.

Transfers out during the year primarily relate to certain financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities.

Company

	2015				2014			
	Customer Accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Total \$million	Customer Accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Total \$million
Liabilities								
At 1 January	-	94	272	366	-	39	377	416
Total (gains)/losses recognised in income statement	-	5	11	16	-	-	(27)	(27)
- Net trading income	-	5	11	16	-	-	(27)	(27)
Issues	-	168	91	259	-	79	13	92
Settlements	-	(176)	(13)	(189)	-	(24)	(107)	(131)
Transfers out	-	-	(3)	(3)	-	-	-	-
Transfers in	-	142	4	146	-	-	16	16
At 31 December	-	233	362	595	-	94	272	366
Total losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December	-	6	-	6	-	1	-	1

Transfers in during the year primarily relate to certain financial instruments for which parameters became unobservable during the year.

Transfers out during the year primarily relate to certain financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

The following tables present the Group's primary level 3 financial instruments which are held at fair value. The table also present the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs and the range of values for those inputs and the weighted average of those inputs:

Instrument	Value at 31 December 2015		Principal valuation technique	Significant unobservable inputs	Range ¹	Weighted average ²
	Assets \$million	Liabilities \$million				
Loans and advances to customers	232	1	Comparable pricing/Yield	Price/Yield	17.2% to 27.5%	24.0%
				Recovery rates	8.0% to 74.0%	35.1%
Debt securities	427	-	Comparable pricing/Yield	Price/Yield	4.5% to 10.0%	6.5%
Asset backed securities	21	-	Discounted cash flows	Price/Yield	1.5% to 2.1%	1.7%
Debt securities in issue	-	495	Internal pricing model	Equity correlation	-35.0% to 98.0%	N/A
			Discounted cash flows	Credit spreads	0.7% to 4.0%	3.4%
Government bonds	147	-	Discounted cash flows	Price/Yield	2.4% to 7.0%	5.1%
			Comparable pricing/Yield	Price/Yield	91.6 to 101.1	96.6
Derivative financial instruments of which						
Foreign exchange	291	246	Option pricing model	Foreign exchange option implied volatility	5.1% to 8.6%	7.0%
Interest rate	9	38	Discounted cash flows	Interest rate curves	0.3% to 10.7%	4.6%
			Spread option model	Interest rate correlation	97.9% to 98.3%	98.1%
Credit	35	14	Discounted cash flows	Credit spreads	0.1% to 4.0%	1.9%
Equity	143	21	Internal pricing model	Equity correlation	-35.0% to 98.0%	N/A
Equity shares	1,368	-	Comparable pricing	EV/EBITDA multiples	7.8x to 13.7x	10.1x
(includes private equity investments)				P/E multiples	13.9x to 19.5x	16.3x
				Liquidity discount	10.0% to 20.0%	14.2%
			Discounted cash flows	Discount rates	10.6% to 29.3%	13.0%
Total	2,673	815				

¹ The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2015. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

² Weighted average for non-derivative financial instruments have been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

The following section describes the significant unobservable inputs identified in the valuation technique table.

Credit spreads

Credit spreads represent the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument.

Recovery rates

Recovery rate is the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan.

Comparable price/yield

Comparable pricing is a valuation methodology in which a price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future cash flows in a discounted cash-flow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (e.g. deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset.

Correlation

Correlation is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments while an interest rate correlation refers to the correlation between two swap rates.

Volatility

Volatility represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be.

Interest rate curves

Interest rate curve is the term structure of interest rates and measure of future interest rates at a particular point of time.

EV/EBITDA ratio multiples

This is the ratio of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA). EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiple in isolation will result in a favourable movement in the fair value of the unlisted firm.

P/E multiples

Price-Earnings multiple is the ratio of the market capitalisation to the net income after tax. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm.

Liquidity discounts in the valuation of unlisted investments

A liquidity discount is primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result in unfavourable movement in the fair value of the unlisted firm.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Sensitivities in respect of the fair values of Level 3 assets and liabilities

Sensitivity analysis is performed on products with significant unobservable inputs. We apply a 10 per cent increase or decrease on the values of these unobservable, reasonably possible alternatives that could have increased fair values of financial instruments inputs, in order to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analyses performed on a set of reference prices based on the composition of our Level 3 assets. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This Level 3 sensitivity analysis assumes a one way market move and does not consider offsets for hedges.

Group

	Held at fair value through profit or loss			Available-for-sale		
	Net exposure	Favourable Changes	Unfavourable Changes	Net exposure	Favourable Changes	Unfavourable Changes
At 31 December 2015	\$million	\$million	\$million	\$million	\$million	\$million
Debt securities	256	261	251	257	266	247
Equity shares	653	771	631	715	797	633
Treasury bills and other eligible bills	-	-	-	82	83	81
Loan and advances	232	259	217	-	-	-
Derivative financial Instruments	159	423	(106)	-	-	-
Debt securities in issue	(495)	(482)	(508)	-	-	-
Total	805	1,232	485	1,054	1,146	961

	Held at fair value through profit or loss			Available-for-sale		
	Net exposure	Favourable Changes	Unfavourable Changes	Net exposure	Favourable Changes	Unfavourable Changes
At 31 December 2014	\$million	\$million	\$million	\$million	\$million	\$million
Debt securities	395	404	385	360	382	337
Equity shares	590	649	531	767	844	690
Loan and advances	639	661	620	-	-	-
Derivative financial Instruments	279	334	222	-	-	-
Debt securities in issue	(208)	(203)	(214)	-	-	-
Total	1,695	1,845	1,544	1,127	1,226	1,027

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Sensitivities in respect of the fair values of level 3 assets and liabilities continued

Company

	Held at fair value through profit or loss			Available-for-sale		
	Net exposure	Favourable Changes	Unfavourable Changes	Net exposure	Favourable Changes	Unfavourable Changes
At 31 December 2015	\$million	\$million	\$million	\$million	\$million	\$million
Debt securities	256	260	252	120	131	109
Equity shares	2	2	2	124	148	100
Treasury bills and other eligible bills	-	-	-	-	-	-
Loan and advances	232	259	217	-	-	-
Derivative financial Instruments	66	142	(275)	-	-	-
Debt securities in issue	(233)	(232)	(234)	-	-	-
Total	323	431	(38)	244	279	209

	Held at fair value through profit or loss			Available-for-sale		
	Net exposure	Favourable Changes	Unfavourable Changes	Net exposure	Favourable Changes	Unfavourable Changes
At 31 December 2014	\$million	\$million	\$million	\$million	\$million	\$million
Debt securities	394	402	384	162	178	146
Equity shares	-	-	-	97	106	87
Treasury bills and other eligible bills	-	-	-	-	-	-
Loan and advances	640	661	620	-	-	-
Derivative financial Instruments	242	287	191	-	-	-
Debt securities in issue	(94)	(90)	(96)	-	-	-
Total	1,182	1,260	1,099	259	284	233

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Valuation of financial instruments measured at amortised cost on a recurring basis

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. These fair values may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

Group	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
	\$million	\$million	\$million	\$million	\$million
Assets					
Cash and balances at central banks ¹	65,312	-	65,312	-	65,312
Loans and advances to banks	64,492	-	64,520	161	64,681
Loans and advances to customers	257,228	-	6,539	250,215	256,754
Investment securities	2,859	-	2,785	71	2,856
Other assets ¹	32,312	-	32,312	-	32,312
At 31 December 2015	422,203	-	171,468	250,447	421,915
Liabilities					
Deposits by banks	37,526	-	37,973	-	37,973
Customer accounts	350,633	-	350,614	-	350,614
Debt securities in issue	42,587	319	42,230	-	42,549
Subordinated liabilities and other borrowed funds	20,716	9,990	10,486	-	20,476
Other liabilities ¹	31,503	-	31,503	-	31,503
At 31 December 2015	482,965	10,309	472,806	-	483,115

Group	Fair value				
	Carrying value \$million	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Assets					
Cash and balances at central banks ¹	97,282	-	97,282	-	97,282
Loans and advances to banks	83,885	-	83,838	180	84,018
Loans and advances to customers	284,548	-	5,450	278,254	283,704
Investment securities	2,891	-	2,901	28	2,929
Other assets ¹	30,590	-	30,590	-	30,590
At 31 December 2014	499,196	-	220,061	278,462	498,523
Liabilities					
Deposits by banks	54,301	-	54,301	-	54,301
Customer accounts	405,353	-	405,879	-	405,879
Debt securities in issue	53,313	482	52,682	-	53,164
Subordinated liabilities and other borrowed funds	21,362	9,213	11,939	-	21,152
Other liabilities ¹	30,085	-	30,085	-	30,085
At 31 December 2014	564,414	9,695	554,886	-	564,581

¹ The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Valuation of financial instruments measured at amortised cost on a recurring basis continued

Company	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
	\$million	\$million	\$million	\$million	\$million
Assets					
Cash and balances at central banks ¹	49,916	-	49,916	-	49,916
Loans and advances to banks	40,089	-	40,287	1	40,288
Loans and advances to customers	118,763	-	3,945	114,534	118,479
Investment securities	1,521	-	1,459	21	1,480
Other assets ¹	22,537	-	22,537	-	22,537
At 31 December 2015	232,826	-	118,144	114,556	232,700
Liabilities					
Deposits by banks	31,317	-	31,763	-	31,763
Customer accounts	150,002	-	150,030	-	150,030
Debt securities in issue	37,716	-	37,695	-	37,695
Subordinated liabilities and other borrowed funds	19,040	8,626	10,058	-	18,684
Other liabilities ¹	20,108	-	20,110	-	20,110
At 31 December 2015	258,183	8,626	249,656	-	258,282

¹ The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently

Company	Fair value				
	Carrying value \$million	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Assets					
Cash and balances at central banks ¹	82,728	-	82,728	-	82,728
Loans and advances to banks	48,689	-	48,928	16	48,944
Loans and advances to customers	126,642	-	1,977	124,726	126,703
Investment securities	1,059	-	1,035	-	1,035
Other assets ¹	20,196	-	20,195	-	20,195
At 31 December 2014	279,314	-	154,863	124,742	279,605
Liabilities					
Deposits by banks	45,708	-	45,744	-	45,744
Customer accounts	178,647	-	179,505	-	179,505
Debt securities in issue	44,492	166	44,316	-	44,482
Subordinated liabilities and other borrowed funds	19,610	9,213	10,058	-	19,271
Other liabilities ¹	17,709	-	17,709	-	17,709
At 31 December 2014	306,166	9,379	297,332	-	306,711

¹ The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently

Standard Chartered Bank
Notes to the financial statements continued

15. Financial instruments continued

Analysis of loans and advances to customers by client segment

Group	2015					
	Carrying Value			Fair value		
	Impaired	Not impaired	Total	Impaired	Not impaired	Total
	\$million	\$million	\$million	\$million	\$million	\$million
Corporate & Institutional Clients	5,156	131,058	136,214	5,204	131,445	136,649
Commercial Clients	498	10,607	11,105	503	9,858	10,361
Private Banking Clients	322	14,739	15,061	322	14,738	15,060
Retail Clients	493	94,355	94,848	506	94,178	94,684
At 31 December	6,469	250,759	257,228	6,535	250,219	256,754

Group	2014					
	Carrying Value			Fair value		
	Impaired	Not impaired	Total	Impaired	Not impaired	Total
	\$million	\$million	\$million	\$million	\$million	\$million
Corporate & Institutional Clients	3,238	150,707	153,945	3,246	150,317	153,563
Commercial Clients	545	14,106	14,651	545	14,085	14,630
Private Banking Clients	32	17,998	18,030	32	18,001	18,033
Retail Clients	388	97,534	97,922	391	97,087	97,478
At 31 December	4,203	280,345	284,548	4,214	279,490	283,704

Standard Chartered Bank
Notes to the financial statements continued

15. Financial instruments continued

Analysis of loans and advances to customers by client segment continued

Company	2015					
	Carrying Value			Fair value		
	Impaired	Not impaired	Total	Impaired	Not impaired	Total
	\$million	\$million	\$million	\$million	\$million	\$million
Corporate & Institutional Clients	4,764	90,314	95,078	4,801	90,003	94,804
Commercial Clients	187	2,791	2,978	187	2,791	2,978
Private Banking Clients	322	10,462	10,784	322	10,462	10,784
Retail Clients	44	9,879	9,923	44	9,869	9,913
At 31 December	5,317	113,446	118,763	5,354	113,125	118,479

Company	2014					
	Carrying Value			Fair value		
	Impaired	Not impaired	Total	Impaired	Not impaired	Total
	\$million	\$million	\$million	\$million	\$million	\$million
Corporate & Institutional Clients	2,704	96,929	99,633	2,704	96,984	99,688
Commercial Clients	302	3,309	3,611	302	3,288	3,590
Private Banking Clients	20	13,442	13,462	20	13,442	13,462
Retail Clients	20	9,916	9,936	20	9,943	9,963
At 31 December	3,046	123,596	126,642	3,046	123,657	126,703

Standard Chartered Bank
Notes to the financial statements continued

15. Financial instruments continued

Analysis of loans and advances to customers by geographical segment

Group	2015					
	Carrying Value			Fair value		
	Impaired	Not impaired	Total	Impaired	Not impaired	Total
	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	567	75,329	75,896	566	74,857	75,423
North East Asia	87	28,492	28,579	87	28,492	28,579
South Asia	556	12,021	12,577	556	12,003	12,559
ASEAN	1,043	63,039	64,082	1,084	63,315	64,399
MENAP	714	14,816	15,530	714	14,809	15,523
Africa	327	6,394	6,721	352	6,363	6,715
Americas	13	9,753	9,766	14	9,465	9,479
Europe	3,162	40,915	44,077	3,162	40,915	44,077
At 31 December	6,469	250,759	257,228	6,535	250,219	256,754

Group	2014					
	Carrying Value			Fair value		
	Impaired	Not impaired	Total	Impaired	Not impaired	Total
	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	480	86,691	87,171	480	86,173	86,653
North East Asia	141	29,414	29,555	141	29,434	29,575
South Asia	684	13,391	14,075	683	13,369	14,052
ASEAN	324	74,441	74,765	324	74,231	74,555
MENAP	1,357	17,151	18,508	1,367	17,150	18,517
Africa	364	7,996	8,360	366	8,026	8,392
Americas	37	10,811	10,848	37	10,654	10,691
Europe	816	40,450	41,266	816	40,453	41,269
At 31 December	4,203	280,345	284,548	4,214	279,490	283,704

Standard Chartered Bank
Notes to the financial statements continued

15. Financial instruments continued

Analysis of loans and advances to customers by geographical segment continued

Company	2015					
	Carrying Value			Fair value		
	Impaired	Not impaired	Total	Impaired	Not impaired	Total
	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	-	646	646	-	646	646
North East Asia	-	1,026	1,026	-	1,026	1,026
South Asia	537	11,641	12,178	537	11,624	12,161
ASEAN	705	35,193	35,898	742	35,188	35,930
MENAP	890	13,811	14,701	890	13,802	14,692
Africa	17	849	866	17	847	864
Americas	14	9,753	9,767	14	9,465	9,479
Europe	3,154	40,527	43,681	3,154	40,527	43,681
At 31 December	5,317	113,446	118,763	5,354	113,125	118,479

Company	2014					
	Carrying Value			Fair value		
	Impaired	Not impaired	Total	Impaired	Not impaired	Total
	\$million	\$million	\$million	\$million	\$million	\$million
Greater China	5	803	808	5	801	806
North East Asia	-	954	954	-	954	954
South Asia	678	12,910	13,588	678	12,911	13,589
ASEAN	24	41,359	41,383	24	41,418	41,442
MENAP	1,271	15,850	17,121	1,271	15,851	17,122
Africa	33	975	1,008	33	975	1,008
Americas	37	10,811	10,848	37	10,811	10,848
Europe	998	39,934	40,932	998	39,936	40,934
At 31 December	3,046	123,596	126,642	3,046	123,657	126,703

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

The following sets out the Group's basis of establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not traded, there is a significant level of management judgement involved in calculating the fair values.

Cash and balances at central banks

The fair value of cash and balances at central banks is their carrying amounts.

Loans and advances to banks and customers

For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar credit risk and remaining maturity.

The Group's loans and advances to customers portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio reprices within one month, and approximately half reprices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and, where appropriate, credit spreads. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical.

Investment securities

For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using inputs proxied from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or inputs proxied from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relate to asset backed securities. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows. The Group has a wide range of individual investments within the unlisted debt securities portfolio. Given the number of instruments involved, providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material.

Deposits and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity. Following the adoption of IFRS 13 the Group also adjusts the fair value of deposits and borrowings for own credit adjustment using the principles described above.

Debt securities in issue, subordinated liabilities and other borrowed funds

The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Reclassification of financial assets

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

The following tables provide details of the remaining balances of assets reclassified during 2008.

Group and Company

			If assets had not been reclassified, fair value gains from 1 January to 31 December 2015 which would have been recognised within				
	Carrying amount at 31 December 2015	Fair value at 31 December 2015	Income	AFS reserve	Income recognised in income statement	Effective interest rate at date of reclassification	Estimated amounts of expected cash flows
For assets reclassified:	\$million	\$million	\$million	\$million	\$million	%	\$million
From trading to AFS	-	-	-	-	3	6.4%	-
From trading to loans and receivables	35	36	1	-	3	5.3%	39
From AFS to loans and receivables	88	84	-	(3)	11	5.6%	120
	123	120	1	(3)	17		
Of which asset backed securities:							
reclassified to available-for-sale	-	-	-	-	3		
reclassified to loans and receivables	100	99	2	(3)	14		

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

			If assets had not been reclassified, fair value gains from 1 January to 31 December 2014 which would have been recognised within				
	Carrying amount at 31 December 2014	Fair value at 31 December 2014	Income	AFS reserve	Income recognised in income statement	Effective interest rate at date of reclassification	Estimated amounts of expected cash flows
For assets reclassified:							
From trading to AFS	38	38	2 ¹	-	1	8.7	54
From trading to loans and receivables	99	95	2	-	7	6.0	108
From AFS to loans and receivables	243	260	-	6	25	5.5	162
	380	393	4	6	33		
Of which asset backed securities:							
reclassified to available-for-sale	38	38	2 ¹	-	1		
reclassified to loans and receivables	316	334	2	6	29		

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

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Transfers of financial assets

Transfers where financial assets are not derecognised - Group

The Group enters into collateralised repurchase agreements (repos) and securities borrowing and lending transactions. These transactions typically entitle the Group and its counterparties to have recourse to assets similar to those provided as collateral in the event of a default. Securities sold subject to repos continue to be recognised on the balance sheet as the Group retains substantially the associated risk and rewards of the securities. The counterparty liability is included in deposits by banks or customer accounts, as appropriate. Assets sold under repurchase agreements are considered encumbered as the group cannot pledge these to obtain funding.

The table below sets out the financial assets provided by the Group as collateral for repurchase transactions:

	Fair value through profit and loss	Available for sale	Loans and receivables	Total
	\$million	\$million	\$million	\$million
Collateral pledged against repurchase agreements				
On balance sheet				
Treasury bills and other eligible bills	-	98	-	98
Debt securities	487	520	-	1,007
Loan and advances to banks and customers	-	-	-	-
Off balance sheet				
Repledged collateral received	491	-	21,694	22,185
At 31 December 2015	978	618	21,694	23,290
Balance sheet liabilities - Repurchase agreements				
Deposits by banks				7,598
Customer accounts				13,008
At 31 December 2015				20,606

	Fair value through profit and loss	Available for sale	Loans and receivables	Total
	\$million	\$million	\$million	\$million
Collateral pledged against repurchase agreements				
On balance sheet				
Treasury bills and other eligible bills	342	90	-	432
Debt securities	1,375	1,787	-	3,162
Loan and advances to banks and customers	-	-	-	-
Off balance sheet				
Repledged collateral received	-	-	14,326	14,326
At 31 December 2014	1,717	1,877	14,326	17,920
Balance sheet liabilities - Repurchase agreements				
Deposits by banks				9,984
Customer accounts				6,324
At 31 December 2014				16,308

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Reverse repurchase agreements

The Group also undertakes reverse repurchase (reverse repo) lending agreements with counterparties, typically financial institutions, in exchange for collateral. Reverse repo agreements entitle the Group to have recourse to assets similar to those received as collateral in the event of a default. In addition, the Group also obtains collateral on terms that permit the Group to repledge or resell the collateral to others. The Group does not recognise the securities bought under reverse repos as collateral on its balance sheet as the Group is not substantially entitled to the risks and rewards associated with those assets and instead recognises the lending as loans and advances to banks or customers, as appropriate. The Group's reverse repos as at 31 December 2015 and 31 December 2014 are set out in the table below.

Balance sheet assets - Reverse repurchase agreements

	2015 \$million	2014 \$million
Loans and advances to banks	17,330	18,435
Loans and advances to customers	15,307	11,421
	32,637	29,856

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

	2015 \$million	2014 \$million
Securities and collateral received (at fair value)	53,357	33,742
Securities and collateral which can be repledged or sold (at fair value)	52,841	27,910
Thereof repledged/transferred to others for financing activities, to satisfy commitments under short sale transactions or liabilities under sale and repurchase agreements (at fair value)	22,185	14,326

Securitisation transactions

The Group has also entered into a number of securitisation transactions where the underlying loans and advances have been transferred to structured entities (SEs) that are fully consolidated by the Group. As a result, the Group continues to recognise the assets on its balance sheet, together with the associated liability instruments issued by the SEs. The holders of the liability instruments have recourse only to the assets transferred to the SEs.

The following table sets out the carrying value and fair value of the assets transferred and the carrying value and fair value of the associated liabilities at 31 December 2015 and 2014 respectively.

	2015		2014	
	Carrying value \$million	Fair value \$million	Carrying value \$million	Fair value \$million
Loan and advances to customers	76	76	27	27
Securitisation liability - reported as debt securities in issue	43	43	28	28
Net	33	33	(1)	(1)

¹ In 2014 the group liquidated its SE's in Korea and as a result significantly reduced its securitisation position

² 2014 balances have been restated

The Group did not undertake any transactions that required the recognition of an asset representing continuing involvement in financial assets.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Transfers where financial assets are not derecognised - Company

Repurchase transactions

The Company also undertakes reverse repurchase (reverse repo) lending agreements with counterparties, typically financial institutions, in exchange for collateral. Reverse repo agreements entitle the Company to have recourse to assets similar to those received as collateral in the event of a default. In addition, the Group also obtains collateral on terms that permit the Company to repledge or resell the collateral to others. The Company does not recognise the securities bought under reverse repos as collateral on its balance sheet as the Company is not substantially entitled to the risks and rewards associated with those assets and instead recognises the lending as loans and advances to banks or customers, as appropriate. The Company's reverse repos as at 31 December 2015 and 31 December 2014 are set out in the table below.

	Fair value through profit and loss	Available for sale	Loans and receivables	Total
	\$million	\$million	\$million	\$million
Collateral pledged against repurchase agreements				
On balance sheet				
Treasury bills and other eligible bills	-	3	-	3
Debt securities	332	395	-	727
Loan and advances to banks and customers	-	-	-	-
Off balance sheet				
Repledged collateral received	491	-	21,694	22,185
At 31 December 2015	823	398	21,694	22,915

Balance sheet liabilities - Repurchase agreements

Deposits by banks	7,330
Customer accounts	12,947
At 31 December 2015	20,277

	Fair value through profit and loss	Available for sale	Loans and receivables	Total
	\$million	\$million	\$million	\$million
Collateral pledged against repurchase agreements				
On balance sheet				
Treasury bills and other eligible bills	342	27	-	369
Debt securities	1,233	1,189	-	2,422
Loan and advances to banks and customers	-	-	-	-
Off balance sheet				
Repledged collateral received	-	-	14,295	14,295
At 31 December 2014	1,575	1,216	14,295	17,086

Balance sheet liabilities - Repurchase agreements

Deposits by banks	9,220
Customer accounts	6,301
At 31 December 2014	15,521

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Reverse repurchase agreements

The Company also undertakes reverse repurchase transactions as set out in the table below:

Balance sheet assets - Reverse repurchase agreements

	2015 \$million	2014 \$million
Loans and advances to banks	12,816	14,079
Loans and advances to customers	13,787	10,317
	26,603	24,396

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

	2015 \$million	2014 \$million
Securities and collateral received (at fair value)	47,290	28,109
Securities and collateral which can be repledged or sold (at fair value)	47,212	23,861
Thereof repledged/transferred to others for financing activities, to satisfy commitments under short sale transactions or liabilities under sale and repurchase agreements (at fair value)	22,185	14,295

Securitisation transactions

The Company has also entered into a number of securitisation transactions where the underlying loans and advances have been transferred to structured entities (SEs) that are fully consolidated by the Group. As a result, the Company continues to recognise the assets on its balance sheet, together with the associated liability instruments issued by the SEs. The holders of the liability instruments have recourse only to the assets transferred to the SEs.

The following table sets out the carrying value and fair value of the assets transferred and the carrying value and fair value of the associated liabilities as at 31 December 2015 and 31 December 2014 respectively.

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	\$million	\$million	\$million	\$million
Loans and advances to customers	17	17	27	27
Securitisation liability - represented as debt securities in issue	18	18	28	28
Net	(1)	(1)	(1)	(1)

¹ 2014 balances have been restated

The Company did not undertake any transactions that required the recognition of an asset representing continuing involvement in financial assets.

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Offsetting of financial instruments

Impact of offset in the balance sheet

In accordance with IAS 32 Financial Instruments: Presentation, the Group is permitted to offset assets and liabilities and present these net on the Group's balance sheet, only if there is a legally enforceable right to set off and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

Amounts not offset in the balance sheet

In practice, the Group is able to offset assets and liabilities which do not meet the IAS 32 netting criteria set out above. Such arrangements include master netting arrangements for derivatives and global master repurchase agreements for repurchase and reverse repurchase transactions. These agreements generally allow that all outstanding transactions with a particular counterparty can be offset, but only in the event of default or other predetermined events.

In addition, the Group also receives and pledges readily realisable collateral for derivative transactions to cover net exposure in the event of a default. Under repurchase and reverse repurchase agreements the Group pledges (legally sell) and obtains (legally purchase) respectively, highly liquid assets which can be sold in the event of a default.

The following tables set out the following:

Impact of netting on the balance sheet. This comprises derivative transactions settled through an enforceable netting agreement where we have the intent and ability to settle net and which are offset on the balance sheet.

Related amounts not offset in the balance sheet. This comprises:

- Financial instruments not offset in the balance sheet, but covered by an enforceable netting arrangement. This comprises master netting arrangements held against derivative financial instruments and excludes the effect of over-collateralisation
- Financial collateral. This comprises cash collateral pledged and received for derivative financial instruments and collateral bought and sold for reverse repurchase and repurchase agreements respectively and excludes the effect of over-collateralisation

Group	On-balance sheet netting			Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments	Impact of offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Financial instruments	Financial collateral	Net amount
	\$million	\$million	\$million	\$million	\$million	\$million
Assets						
Derivative financial instruments	71,316	(6,729)	64,587	(38,934)	(10,074)	15,579
Reverse repurchase agreements	32,637	-	32,637	-	(32,637)	-
At 31 December 2015	103,953	(6,729)	97,224	(38,934)	(42,711)	15,579
Liabilities						
Derivative financial instruments	69,315	(6,729)	62,586	(38,934)	(13,430)	10,222
Sale and purchase liabilities	20,606	-	20,606	-	(20,606)	-
At 31 December 2015	89,921	(6,729)	83,192	(38,934)	(34,036)	10,222

	On-balance sheet netting			Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments	Impact of offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Financial instruments	Financial collateral	Net amount
	\$million	\$million	\$million	\$million	\$million	\$million
Assets						
Derivative financial instruments	74,755	(8,438)	66,317	(43,735)	(7,005)	15,577
Reverse repurchase agreements	29,856	-	29,856	-	-	29,856
At 31 December 2014	104,611	(8,438)	96,173	(43,735)	(7,005)	45,433
Liabilities						
Derivative financial instruments	72,622	(8,438)	64,184	(43,735)	(10,311)	10,138
Sale and purchase liabilities	16,308	-	16,308	-	-	16,308
At 31 December 2014	88,930	(8,438)	80,492	(43,735)	(10,311)	26,446

Standard Chartered Bank

Notes to the financial statements continued

15. Financial instruments continued

Offsetting of financial instruments continued

Company	On-balance sheet netting			Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments	Impact of offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Financial instruments	Financial collateral	Net amount
	\$million	\$million	\$million	\$million	\$million	\$million
Assets						
Derivative financial instruments	69,543	(6,729)	62,814	(38,820)	(9,605)	14,389
Reverse repurchase agreements	26,603	-	26,603	-	(26,603)	-
At 31 December 2015	96,146	(6,729)	89,417	(38,820)	(36,208)	14,389
Liabilities						
Derivative financial instruments	67,451	(6,729)	60,722	(38,820)	(13,006)	8,896
Sale and purchase liabilities	20,277	-	20,277	-	(20,277)	-
At 31 December 2015	87,728	(6,729)	80,999	(38,820)	(33,283)	8,896

	On-balance sheet netting			Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments	Impact of offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Financial instruments	Financial collateral	Net amount
	\$million	\$million	\$million	\$million	\$million	\$million
Assets						
Derivative financial instruments	71,903	(8,438)	63,465	(43,452)	(6,618)	13,395
Reverse repurchase agreements	24,396	-	24,396	-	(24,396)	-
At 31 December 2014	96,299	(8,438)	87,861	(43,452)	(31,014)	13,395
Liabilities						
Derivative financial instruments	69,947	(8,438)	61,509	(43,452)	(10,010)	8,047
Sale and purchase liabilities	15,521	-	15,521	-	(15,521)	-
At 31 December 2014	85,468	(8,438)	77,030	(43,452)	(25,531)	8,047

Standard Chartered Bank

Notes to the financial statements continued

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

Loans and advances held at fair value through profit and loss

The maximum exposure to credit risk for loans designated at fair value through profit or loss was \$1,372 million (2014: \$1,313 million) for the Group and \$1,166 million (2014: \$1,190 million) for the Company.

The net fair value gain on loans and advances to customers designated at fair value through profit or loss was \$2 million (2014: gain of \$78 million). Of this, \$nil million (2014: \$nil million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was \$3 million (2014: \$3 million).

The changes in fair value attributable to credit risk has been determined by comparing fair value movements in risk-free bonds with similar maturities to the changes in fair value of loans designated at fair value through profit or loss.

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

Group

	2015			
	Debt Securities \$million	Equity Shares \$million	Treasury bills \$million	Total \$million
Issued by public bodies:				
Government securities	8,091			
Other public sector securities	88			
	8,179			
Issued by banks:				
Certificates of deposit	87			
Other debt securities	1,327			
	1,414			
Issued by corporate entities and other issuers:				
Other debt securities	3,692			
Total debt securities	13,285			
Of which:				
Listed on a recognised UK exchange	116	-	-	116
Listed elsewhere	8,516	1,648	282	10,446
Unlisted	4,653	1,127	577	6,357
	13,285	2,775	859	16,919
Market value of listed securities	8,632	1,648	282	10,562
	2014			
	Debt Securities \$million	Equity Shares \$million	Treasury bills \$million	Total \$million
Issued by public bodies:				
Government securities	9,677			
Other public sector securities	141			
	9,818			
Issued by banks:				
Certificates of deposit	2,975			
Other debt securities	1,222			
	4,197			
Issued by corporate entities and other issuers:				
Other debt securities	3,720			
Total debt securities	17,735			
Of which:				
Listed on a recognised UK exchange	126	71	-	197
Listed elsewhere	7,419	3,876	572	11,867
Unlisted	10,190	1,397	1,240	12,827
	17,735	5,344	1,812	24,891
Market value of listed securities	7,545	3,948	572	12,065

Standard Chartered Bank

Notes to the financial statements continued

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

Financial assets held at fair value through profit or loss continued

Company

	2015			
	Debt Securities \$million	Equity Shares \$million	Treasury bills \$million	Total \$million
Issued by public bodies:				
Government securities	4,023			
Other public sector securities	88			
	4,111			
Issued by banks:				
Certificates of deposit	14			
Other debt securities	905			
	919			
Issued by corporate entities and other issuers:				
Other debt securities	2,660			
Total debt securities	7,690			
Of which:				
Listed on a recognised UK exchange	97	-	-	97
Listed elsewhere	5,284	1,431	50	6,765
Unlisted	2,309	475	190	2,974
	7,690	1,906	240	9,836
Market value of listed securities	5,381	1,431	50	6,862

	2014			
	Debt Securities \$million	Equity Shares \$million	Treasury bills \$million	Total \$million
Issued by public bodies:				
Government securities	4,342			
Other public sector securities	140			
	4,482			
Issued by banks:				
Certificates of deposit	2,439			
Other debt securities	966			
	3,405			
Issued by corporate entities and other issuers:				
Other debt securities	2,552			
Total debt securities	10,439			
Of which:				
Listed on a recognised UK exchange	119	-	-	119
Listed elsewhere	3,366	3,235	268	6,869
Unlisted	6,954	880	501	8,335
	10,439	4,115	769	15,323
Market value of listed securities	3,485	3,235	268	6,988

The net fair value gain on liabilities designated at fair value through profit or loss was \$104 million for the year (2014: net loss of \$756 million). Of this, a gain of \$495 million (2014: \$ 100 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was a gain of \$691 million (2014: gain of \$ 196 million). The change in fair value attributable to credit risk was determined by comparing fair value movements in risk-free debt instruments with similar maturities, to the changes in fair value of liabilities designated at fair value through profit or loss.

Standard Chartered Bank

Notes to the financial statements continued

17. Derivative financial instruments

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

Group

	2015			2014		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Total derivatives						
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	1,846,097	20,380	20,014	1,611,476	19,265	20,648
Currency swaps and options	1,335,953	28,306	28,058	1,603,073	25,290	24,850
Exchange traded futures and options	454	-	-	300	-	-
	3,182,504	48,686	48,072	3,214,849	44,555	45,498
Interest rate derivative contracts:						
Swaps	2,135,573	10,828	11,369	2,276,183	14,338	13,402
Forward rate agreements and options	72,776	935	1,171	186,796	878	819
Exchange traded futures and options	586,588	-	-	1,313,920	-	-
	2,794,937	11,763	12,540	3,776,899	15,216	14,221
Credit derivative contracts	23,561	338	314	32,055	440	965
Equity and stock index options	9,384	295	234	16,585	404	578
Commodity derivative contracts	96,984	3,505	1,426	130,058	5,702	2,922
Total derivatives	6,107,370	64,587	62,586	7,170,446	66,317	64,184

Company

	2015			2014		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Total derivatives						
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	1,907,941	20,185	20,374	1,679,517	19,438	20,864
Currency swaps and options	1,308,236	27,066	26,565	1,509,455	23,074	23,162
Exchange traded futures and options	154	-	-	-	-	-
	3,216,331	47,251	46,939	3,188,972	42,512	44,026
Interest rate derivative contracts:						
Swaps	2,026,740	10,276	10,638	2,120,523	13,448	12,223
Forward rate agreements and options	70,276	1,150	1,102	182,172	820	751
Exchange traded futures and options	586,504	3	-	1,312,427	-	-
	2,683,520	11,429	11,740	3,615,122	14,268	12,974
Credit derivative contracts	24,202	319	370	31,154	474	941
Equity and stock index options	9,548	312	239	17,686	517	635
Commodity derivative contracts	98,017	3,503	1,434	130,112	5,694	2,933
Total derivatives	6,031,618	62,814	60,722	6,983,046	63,465	61,509

The Group and Company limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are only presented net in these accounts where they are subject to legal right of offset and intended to be settled net in the ordinary course of business. Details of the amounts available for offset as set out in note 15 at pages 228 to 229.

The Derivatives and Hedging sections of the Risk and Capital Review on pages 113 explain the Group's risk management of derivative contracts and application of hedging.

Standard Chartered Bank

Notes to the financial statements continued

17. Derivative financial instruments continued

Derivatives held for hedging

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

Group

	2015			2014		
	Notional principal amounts	Assets	Liabilities	Notional principal amounts	Assets	Liabilities
	\$million	\$million	\$million	\$million	\$million	\$million
Derivatives designated as fair value hedges:						
Interest rate swaps	37,409	151	221	37,496	500	359
Forward foreign exchange contracts	5	1	-	12	1	-
Currency swaps	18,671	452	821	15,731	124	390
	56,085	604	1,042	53,239	625	749
Derivatives designated as cash flow hedges:						
Interest rate swaps	8,777	3	20	9,465	5	17
Forward foreign exchange contracts	1,589	3	46	2,206	4	75
Currency swaps	2,621	40	3	6,524	62	98
	12,987	46	69	18,195	71	190
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	1,339	39	-	1,098	75	-
Total derivatives held for hedging	70,411	689	1,111	72,532	771	939

Company

	2015			2014		
	Notional principal amounts	Assets	Liabilities	Notional principal amounts	Assets	Liabilities
	\$million	\$million	\$million	\$million	\$million	\$million
Derivatives designated as fair value hedges:						
Interest rate swaps	28,140	156	219	41,935	664	218
Currency swaps	13,014	335	801	14,405	343	471
	41,154	491	1,020	56,340	1,007	689
Derivatives designated as cash flow hedges:						
Interest rate swaps	4,175	3	20	3,399	5	1
Forward foreign exchange contracts	1,451	1	46	-	-	-
Currency swaps	1,969	39	-	4,677	60	92
	7,595	43	66	8,076	65	93
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	1,339	39	-	1,098	75	-
Total derivatives held for hedging	50,088	573	1,086	65,514	1,147	782

Standard Chartered Bank

Notes to the financial statements continued

17. Derivative financial instruments continued

Fair value hedges

The swaps exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match the floating rates paid on funding.

For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged item, both of which are recognised in profit and loss. In respect of fair value hedges, net loss arising on the hedging instruments during the year were \$234 million (2014: loss of \$236 million) compared to net gains arising on the hedged items of \$234 million (2014: gain of \$202 million). For the Company, net gains arising on fair value hedging instruments were \$203 million (2014: gains of \$78 million) compared to net losses arising on the hedged items of \$208 million (2014: losses of \$57 million).

Cash flow hedges

The Group uses interest rate swaps to manage the variability in future cash flows on assets and liabilities that have floating rates of interest by exchanging the floating rates for fixed rates. It also uses foreign exchange contracts, currency swaps and options to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies.

Gains and losses arising on the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit and loss, at which time the gains or losses are transferred to profit and loss.

Group

	2015 \$million	2014 \$million
Losses reclassified from reserves to income statement	(107)	(13)
Losses recognised in operating costs	(118)	(13)
Gains recognised in net income	11	nil

Company

	2015 \$million	2014 \$million
Losses reclassified from reserves to income statement	(116)	(10)
Losses recognised in operating costs	(118)	(13)
Gains recognised in net income	2	3

Standard Chartered Bank

Notes to the financial statements continued

17. Derivative financial instruments continued

The Group has hedged the following cash flows which are expected to impact the income statement in the following periods:

	2015						Total
	Less than one year \$million	One to two years \$million	Two to three years \$million	Three to four years \$million	Four to five years \$million	Over five years \$million	
Forecast receivable cash flows	47	46	29	26	12	-	160
Forecast payable cash flows	(12)	(10)	(5)	(1)	-	-	(28)
	35	36	24	25	12	-	132

	2014						Total
	Less than one year \$million	One to two years \$million	Two to three years \$million	Three to four years \$million	Four to five years \$million	Over five years \$million	
Forecast receivable cash flows	65	49	33	9	2	-	158
Forecast payable cash flows	(10)	(11)	(11)	(4)	(1)	-	(37)
	55	38	22	5	1	-	121

The Company has hedged the following cash flows which are expected to impact the income statement in the following periods:

	2015						Total
	Less than one year \$million	One to two years \$million	Two to three years \$million	Three to four years \$million	Four to five years \$million	Over five years \$million	
Forecast receivable cash flows	37	36	27	24	11	-	135
Forecast payable cash flows	(11)	(10)	(5)	(7)	-	-	(33)
	26	26	22	17	11	-	102

	2014						Total
	Less than one year \$million	One to two years \$million	Two to three years \$million	Three to four years \$million	Four to five years \$million	Over five years \$million	
Forecast receivable cash flows	43	32	18	8	2	-	103
Forecast payable cash flows	(9)	(10)	(11)	(4)	(1)	-	(35)
	34	22	7	4	1	-	68

Net investment hedges

The Group uses a combination of foreign exchange contracts and non-derivative financial assets to manage the variability in future exchange rates on its net investments in foreign currencies. Gains and losses arising on the effective portion of the hedges are deferred in equity until the net investment is disposed off. During the year, \$11million (2014: \$nil million) was recognised in the Income statement in respect of ineffectiveness arising on net investment hedges.

Standard Chartered Bank

Notes to the financial statements continued

18. Loans and advances to banks

	Group		Company	
	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
Loans and advances to banks	66,931	87,596	42,324	52,322
Individual impairment provision	(163)	(99)	(3)	(22)
Portfolio impairment provision	(1)	(2)	(1)	(1)
	66,767	87,495	42,320	52,299
Of which: loans and advances held at fair value through profit or loss (note 15)	(2,275)	(3,610)	(2,231)	(3,610)
	64,492	83,885 ¹	40,089	48,689

¹ Loans and advances to banks (net of provisions) of totalling nil (2014: \$260 million) has been reclassified and disclosed as held for sale in note 22

Analysis of loans and advances to banks by geography are set out in the Risk review and Capital review on page 54 to 59.

19. Loans and advances to customers

	Group		Company	
	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
Loans and advances to customers	267,955	292,424	127,155	132,436
Individual impairment provision	(6,023)	(3,276)	(4,251)	(1,861)
Portfolio impairment provision	(657)	(696)	(276)	(359)
	261,275	288,452	122,628	130,216
Of which: loans and advances held at fair value through profit or loss (note 15)	(4,047)	(3,904)	(3,865)	(3,574)
	257,228	284,548 ¹	118,763	126,642

¹ Loans and advances to customers (net of provision) \$nil (2014: \$2.7 billion) has been reclassified and disclosed as held for sale in note 22

The Group has outstanding residential mortgage loans to Korea residents of \$13 billion (2014: \$13 billion) and Hong Kong residents of \$28 billion (2014: \$26 billion).

Analysis of loans and advances to customer by geography and client segment and related impairment provisions are set out in the Risk and Capital review pages 54 to 95.

Standard Chartered Bank

Notes to the financial statements continued

20. Assets leased to customers

Finance leases and instalment credit

	Group		Company	
	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
Finance leases	254	302	173	164
Instalment credit agreements	687	907	279	276
	941	1,209	452	440

The above assets are included within loans and advances to customers. The cost of assets acquired during the year for leasing to customers under finance leases and instalment credit agreements amounted to \$269 million (2014: \$324 million) for the Group and \$185 million (2014: \$219 million) for the Company.

	Group		Company	
	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
Minimum lease receivables under finance leases falling due:				
Within one year	45	46	41	40
Later than one year and less than five years	143	204	58	54
After five years	144	137	144	137
	332	387	243	231
Interest income relating to future periods	(78)	(85)	(70)	(67)
Present value of finance lease receivables	254	302	173	164
Of which:				
Falls due within one year	32	35	28	30
Falls due later than one year and less than five years	114	167	37	34
Falls due after five years	108	100	108	100

Operating lease assets

Assets leased to customers under operating leases consist of commercial aircraft and ships which are included within property, plant and equipment in note 26. At 31 December 2015, these assets had a net book value of \$4,424 million (2014: \$4,713 million) in the Group.

	Group	
	2015	2014
	\$million	\$million
Minimum lease receivables under operating leases falling due:		
Within one year	481	661
Later than one year and less than five years	1,778	1,972
After five years	1,395	2,145
	3,654	4,778

Standard Chartered Bank
Notes to the financial statements continued

21. Investment securities

Group	2015					
	Debt securities			Equity shares	Treasury bills	Total
	Held-to-maturity	Available-for-sale	Loans and receivables			
	\$million	\$million	\$million	\$million	\$million	\$million
Issued by public bodies:						
Government securities	159	35,086	-			
Other public sector securities	-	2,215	37			
	159	37,301	37			
Issued by banks:						
Certificates of deposit	-	4,076	-			
Other debt securities	-	22,110	15			
	-	26,186	15			
Issued by corporate entities and other issuers:						
Other debt securities	51	14,197	2,597			
Total debt securities	210	77,684	2,649			
Of which:						
Listed on a recognised UK exchange	-	15,992	120 ¹	8	2,057	18,177
Listed elsewhere	51	31,837	483 ¹	782	14,703	47,856
Unlisted	159	29,855	2,046	763	15,693	48,516
	210	77,684	2,649	1,553	32,453	114,549
Market value of listed securities	51	47,829	603	790	16,760	66,033

Group	2014					
	Debt securities			Equity shares	Treasury bills	Total
	Held-to-maturity	Available-for-sale	Loans and receivables			
	\$million	\$million	\$million	\$million	\$million	\$million
Issued by public bodies:						
Government securities	62	28,296	-			
Other public sector securities	-	926	11			
	62	29,222	11			
Issued by banks:						
Certificates of deposit	-	6,236	-			
Other debt securities	-	23,155	17			
	-	29,391	17			
Issued by corporate entities and other issuers:						
Other debt securities	60	16,324	2,725			
Total debt securities	122	74,937	2,753			
Of which:						
Listed on a recognised UK exchange	-	8,971	96 ¹	256	-	9,323
Listed elsewhere	-	27,580	505 ¹	974	10,898	39,957
Unlisted	122	38,386	2,152	792	13,191	54,643
	122	74,937	2,753	2,022	24,089	103,923
Market value of listed securities	-	36,551	601	1,230	10,898	49,280

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

Equity shares largely comprise investments in corporates.

Standard Chartered Bank

Notes to the financial statements continued

21. Investment securities continued

Company	2015					
	Debt securities			Equity shares \$million	Treasury bills \$million	Total \$million
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million			
Issued by public bodies:						
Government securities	159	15,803	-			
Other public sector securities	-	1,523	37			
	159	17,326	37			
Issued by banks:						
Certificates of deposit	-	1,668	-			
Other debt securities	-	15,095	15			
	-	16,763	15			
Issued by corporate entities and other issuers:						
Other debt securities	51	9,966	1,259			
Total debt securities	210	44,055	1,311			
Of which:						
Listed on a recognised UK exchange	-	14,462	88 ¹	8	1,970	16,528
Listed elsewhere	51	15,275	23 ¹	530	7,074	22,953
Unlisted	159	14,318	1,200	160	6,078	21,915
	210	44,055	1,311	698	15,122	61,396
Market value of listed securities	51	29,737	111	538	9,044	39,481

Company	2014					
	Debt securities			Equity shares \$million	Treasury bills \$million	Total \$million
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million			
Issued by public bodies:						
Government securities	62	9,284	-			
Other public sector securities	-	103	11			
	62	9,387	11			
Issued by banks:						
Certificates of deposit	-	3,421	-			
Other debt securities	-	15,095	17			
	-	18,516	17			
Issued by corporate entities and other issuers:						
Other debt securities	60	11,819	893			
Total debt securities	122	39,722	921			
Of which:						
Listed on a recognised UK exchange	-	7,792	15 ¹	33	-	7,840
Listed elsewhere	-	13,735	71 ¹	653	3,016	17,475
Unlisted	122	18,195	835	97	4,429	23,678
	122	39,722	921	783	7,445	48,993
Market value of listed securities	-	21,527	86	686	3,016	25,315

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

Equity shares largely comprise investments in corporates.

Standard Chartered Bank

Notes to the financial statements continued

21. Investment securities continued

The change in the carrying amount of investment securities comprised:

Group	2015				2014			
	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million
At 1 January	77,812	2,022	24,089	103,923	73,221	2,912	26,246	102,379
Exchange translation differences	(2,866)	2	(966)	(3,830)	(2,412)	(4)	(695)	(3,111)
Additions	132,800	350	76,300	209,450	135,921	140	59,910	195,971
Maturities and disposals	(127,107)	(652)	(67,244)	(195,003)	(129,182)	(1,119)	(61,681)	(191,982)
Transfers to asset held for sale	-	-	-	-	(18)	(1)	(1)	(20)
Impairment, net of recoveries on disposals	(71)	(124)	-	(195)	(119)	(42)	-	(161)
Changes in fair value (including the effect of fair value hedging)	14	(44)	(7)	(37)	478	136	23	637
Amortisation of discounts and premiums	(39)	(1)	281	241	(77)	-	287	210
At 31 December	80,543	1,553	32,453	114,549	77,812	2,022	24,089	103,923

The analysis of unamortised premiums and unamortised discounts on debt securities and income on equity shares held for investment purposes is provided below:

	2015 \$million	2014 \$million
Debt securities:		
Unamortised premiums	401	381
Unamortised discounts	149	229
Income from listed equity shares	92	77
Income from unlisted equity shares	9	19

Standard Chartered Bank

Notes to the financial statements continued

21. Investment securities continued

Company	2015				2014			
	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million
At 1 January	40,765	783	7,445	48,993	37,043	795	6,037	43,875
Exchange translation differences	(1,128)	(3)	(263)	(1,394)	(1,158)	(3)	(191)	(1,352)
Additions	44,432	60	29,479	73,971	41,479	3	18,145	59,627
Maturities and disposals	(38,511)	(9)	(21,654)	(60,174)	(36,821)	(9)	(16,676)	(53,506)
Impairment, net of recoveries on disposals	8	(50)	-	(42)	(52)	-	-	(52)
Changes in fair value (including the effect of fair value hedging)	28	(83)	(24)	(79)	309	(3)	3	309
Amortisation of discounts and premiums	(18)	-	139	121	(35)	-	127	92
At 31 December	45,576	698	15,122	61,396	40,765	783	7,445	48,993

The analysis of unamortised premiums and unamortised discounts on debt securities and income on equity shares held for investment purposes is provided below:

	2015 \$million	2014 \$million
Debt securities:		
Unamortised premiums	248	258
Unamortised discounts	75	98
Income from listed equity shares	81	62
Income from unlisted equity shares	1	2

The following table sets out the movement in the allowance of impairment provisions for investment securities classified as loans and receivables.

	Group		Company	
	2015 \$million	2014 \$million	2015 \$million	2014 \$million
At 1 January	25	25	21	23
Exchange translation differences	(1)	-	(1)	-
Amounts written off	(34)	(1)	(6)	-
Impairment charge/ (release)	66	1	9	(2)
At 31 December	56	25	23	21

Standard Chartered Bank

Notes to the financial statements continued

22. Other assets

	Group		Company	
	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
Financial assets held at amortised cost (note 15)				
Hong Kong SAR Government certificates of indebtedness (note 29) ¹	4,907	4,738	-	-
Cash collateral	13,430	10,311	13,006	10,010
Acceptances and Endorsements	3,949	5,212	2,700	3,259
Unsettled trades and other financial assets	10,026	10,329	6,831	6,927
	32,312	30,590	22,537	20,196
Non-financial assets and assets held for sale				
Commodities	1,652	4,432	1,652	4,432
Assets held for sale ²	349	3,237	6	3
Other assets	183	266	84	136
	34,496	38,525	24,279	24,767

¹ The Hong Kong SAR government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued

² This includes disposal groups which are measured at fair value less costs to sell and the assets and liabilities held for sale are classified within level 3 of the fair value hierarchy. The disposal groups mainly include businesses held for sale in Pakistan, consisting of Standard Chartered Leasing Co. Limited, Standard Chartered Modarba and Standard Chartered Services (Pvt.) Ltd. The disposal of the Pakistan businesses held for sale in December 2014 was not completed in 2015 due to developments beyond management's control, the transaction is expected to complete in 2016. The businesses held for sale in Hong Kong, Korea and Lebanon at 31 December 2014, were completed in 2015. The Group has recognised a fair value loss of \$4 million (2014: \$15 million) within Other operating income (note 7) relating to assets held for sale during 2015

23. Investments in subsidiary undertakings, joint ventures and associates

Investment in subsidiary undertakings

	2015	2014
	\$million	\$million
At 1 January	12,962	14,763
Additions	217	580
Disposals and liquidation	(5)	(103)
Impairment	(47)	(2,278)
At 31 December	13,127	12,962

At 31 December 2015, the principal subsidiary undertakings, all indirectly held and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank Korea Limited, Korea	Korea	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	100
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	51 ¹
Standard Chartered Bank (China) Limited, China	China	100
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.99
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.3
Standard Chartered Private Equity Limited, Hong Kong	Hong Kong	100

¹ 49 per cent is held by Standard Chartered Holdings Limited, the Group's parent company

A complete list of subsidiary undertakings is included in note 45

The Group does not have any material non-controlling interests in any of its subsidiaries, except 25.7 per cent non-controlling interests amounting to \$95 million (2014: \$106 million) on Standard Chartered Bank Kenya Limited which contributes 3.4 per cent of the Group's Operating Profit and 0.3 per cent of the Group's assets.

Whilst the Group's subsidiaries are subject to local statutory capital and liquidity requirements in relation to foreign exchange remittance, these restrictions arise in the normal course of business and do not significantly restrict the Group's ability to access or use assets and settle liabilities of the Group.

Standard Chartered Bank

Notes to the financial statements continued

23. Investments in subsidiary undertakings, joint ventures and associates continued

Investment in subsidiary undertakings continued

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory framework within the banking subsidiaries operate. These frameworks require banking operations to keep certain levels of regulatory capital and liquid assets, limit their exposure and comply with other required ratios. These restrictions are summarised below:

Regulatory and liquidity requirements

The Group's subsidiaries are required to maintain minimum capital, leverage ratio, liquidity and exposure ratio thereby restricting the ability of these subsidiaries to distribute cash or other assets to the parent company.

The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries they operate. At December 2015, the total cash and balances with central bank was \$65 billion (2014: \$97 billion) of which \$9 billion (2014: \$10 billion) is restricted. See liquid asset disclosure on page 115.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits to the parent company, generally to maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends to the Group. Certain subsidiaries are also subject to local exchange control regulations which provide for restrictions on exporting capital from the country other than through normal dividends.

Contractual requirements

The encumbered assets in balance sheet of the group's subsidiaries are not available for transfer around the Group. See encumbered assets disclosure on pages 117 to 119. In addition the securitised assets disclosed in note 15 on page 225 have legal restrictions.

Interests in joint ventures

The Group and Company have a 44.56 per cent (2014: 44.56 per cent) interest through a (joint venture) company which holds a majority investment in PT Bank Permata Tbk (Permata), in Indonesia. Permata provides financial services to consumer and commercial segment in Indonesia.

	2015 \$million	2014 \$million
Group		
At 1 January	743	656
Exchange translation difference	(74)	(14)
Additions	-	55
Share of profits	9	59
Disposals	-	(9)
Dividends received	(6)	(6)
Share of AFS and Other reserves	-	2
At 31 December	672	743

	2015 \$million	2014 \$million
Company		
At 1 January	546	492
Additions	-	54
At 31 December	546	546

The Company accounts for its investments in joint ventures at cost.

Standard Chartered Bank

Notes to the financial statements continued

23. Investments in subsidiary undertakings, joint ventures and associates continued

Interests in joint ventures continued

The following table sets out the summarised financial statements of the PT Bank Permata Tbk prior to the Group's share of the joint ventures being applied:

	2015 \$million	2014 \$million
Current assets	8,918	8,358
Non-current assets	4,183	6,562
Current liabilities	(10,739)	(10,163)
Non-current liabilities	(1,107)	(3,372)
Net assets	1,255	1,385
Operating Income	623	626
Of which:		
Interest income	1,205	1,313
Interest expense	(742)	(855)
Expenses	(573)	(454)
Impairment	(25)	(2)
Operating profit	25	170
Taxation	(5)	(38)
Profit after taxation	20	132
The above amounts include the following:		
Cash and cash equivalents	1,814	1,534
Other comprehensive income for the year	-	7
Total comprehensive income for the year	20	139
Dividends received from the joint venture during the year	(6)	(6)

Non-current assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

Reconciliation of the net assets above to the carrying amount of the investments in PT Bank Permata Tbk recognised in the consolidated financial statements:

	2015 \$million	2014 \$million
Net assets of PT Bank Permata Tbk	1,255	1,385
Proportion of the Group's ownership interest in the joint venture	559	617
Notional goodwill	113	126
Carrying amount of the Group's interest in joint ventures	672	743

Standard Chartered Bank

Notes to the financial statements continued

23. Investments in subsidiary undertakings, joint ventures and associates continued

Interests in associates

Group	China Bohai Bank		Asia Commercial Bank		Other		Total	
	2015 \$million	2014 \$million	2015 \$million	2014 \$million	2015 \$million	2014 \$million	2015 \$million	2014 \$million
At 1 January	987	799	174	258	50	54	1,211	1,111
Exchange translation difference	(63)	(4)	(4)	(2)	-	(4)	(67)	(10)
Additions	-	-	-	-	-	9	-	9
Share of profits	173	177	7	4	3	9	183	190
Disposals	-	-	-	-	(18)	-	(18)	-
Dividends received	-	-	(5)	(5)	(1)	(2)	(6)	(7)
Share of AFS and Other reserves	2	15	(1)	(1)	(1)	1	-	15
Impairment	-	-	(46)	(80)	-	(17)	(46)	(97)
At 31 December	1,099	987	125	174	33	50	1,257	1,211

Company	2015 \$million	2014 \$million
At 1 January	43	52
Exchange translation difference	(2)	-
Additions	-	8
Disposals	(10)	-
Impairment	-	(17)
At 31 December	31	43

A complete list of the Group's interest in associates is included in note 45. The Group's principal associates are:

Associate	Name of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking Operations	China	19.99
Asia Commercial Bank	Banking Operations	Vietnam	15.00

The Group's investments in ACB and China Bohai Bank are less than 20 per cent but both ACB and China Bohai Bank are considered to be associates because of the significant influence the Group is able to exercise over the management of these companies and their financial and operating policies. Significant influence is evidenced largely through the interchange of management personnel and the provision of expertise. The group applied the equity method of accounting for investments in associates. The reporting dates of these associates are within three months of the Group's reporting date, (the reporting dates of China Bohai Bank and ACB are 30 November 2015 and 30 September 2015, respectively). The fair value of ACB was \$124 million at 31 December 2015 (2014:\$101 million).

Standard Chartered Bank

Notes to the financial statements continued

23. Investments in subsidiary undertakings, joint ventures and associates continued

Interests in associates continued

The following table sets out the summarised financial statements of Asia Commercial Bank and China Bohai Bank prior to the Group's share of the associates being applied:

	China Bohai Bank		Asia Commercial Bank	
	30 Nov 2015	30 Nov 2014	30 Sep 2015	30 Sep 2014
	\$million	\$million	\$million	\$million
Current assets	37,947	45,992	3,652	3,369
Non-current assets	85,877	60,618	4,937	5,011
Current liabilities	(96,282)	(81,593)	(7,887)	(7,640)
Non-current liabilities	(22,047)	(20,078)	(141)	(156)
Net assets	5,495	4,939	561	584
Operating Income	2,968	2,503	303	258
Of which:				
Interest income	6,468	5,875	603	652
Interest expense	(4,023)	(3,712)	(354)	(449)
Expenses	(1,110)	(1,051)	(197)	(173)
Impairment	(776)	(326)	(50)	(56)
Operating profit	1,082	1,126	56	29
Taxation	(221)	(241)	(12)	(4)
Profit after taxation	861	885	44	25
The above amounts include the following:				
Other comprehensive income for the year	9	(35)	-	-
Total comprehensive income for the year	870	850	44	25
Dividends received from the associate during the year	-	-	(5)	(5)

Reconciliation of the above summarised financial information to the carrying amount of the investments in associates recognised in the consolidated financial statements:

	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
Net assets of the associate	5,495	4,939	561	584
Proportion of the Group's ownership interest in the associate	1,099	987	84	88
Goodwill (net of impairment)	-	-	35	81
Other adjustments	-	-	6	5
Carrying amount of the Group's interest in the associate	1,099	987	125	174

Non-current assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

Standard Chartered Bank

Notes to the financial statements continued

24. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their activities. The Group has involvement with both consolidated and unconsolidated structured entities, which may be established by the Group or by a third party, as detailed below.

Interests in consolidated structured entities

In accordance with the Group's accounting policies discussed in note 1, a structured entity is consolidated into the Group's financial statements where the Group controls the structured entity. In determining whether to consolidate a structured entity to which assets have been transferred, the Group takes into account its ability to direct the relevant activities of the structured entity which is evidenced through a unilateral right to liquidate the structured entity, investment in a substantial proportion of the securities issued by the structured entity or where the Group holds specific subordinate securities that embody certain controlling rights.

	2015	2014
	Total Assets	Total Assets
	\$million	\$million
Securitisation ¹	76	27
Aircraft and ship leasing	4,424	4,713
Structured finance	1,125	1,963
Total	5,625	6,703

¹ 2014 balances have been restated

Interests in unconsolidated structured entities

Unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

The table below presents the carrying amount of the assets and liabilities recognised in the financial statements relating to variable interests held in unconsolidated structured entities, the maximum exposure to loss relating to those interests and the total assets of the structured entities. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For derivatives, the maximum exposure to loss represents the on-balance sheet valuation and not the notional amount. For commitments and guarantees, the maximum exposure to loss is the notional amount of potential future losses.

	Principal finance funds \$million	Structured finance \$million	Asset- backed securities \$million	Total \$million	Principal finance funds \$million	Structured finance \$million	Asset- backed securities \$million	Total \$million
Group's interest - assets								
Financial assets held at fair value through profit or loss	374	-	97	471	142	-	282	424
Loans and advances to customers	-	-	-	-	38	-	-	38
Investment securities - AFS	-	-	6,480	6,480	25	-	8,548	8,573
Investment securities - Loans and receivables	61	-	1,156	1,217	-	-	1,350	1,350
Other assets	124	297	-	421	192	282	-	474
Total assets	559	297	7,733	8,589	397	282	10,180	10,859
Group's interest - liabilities								
Customer Account ¹	942	-	-	942	842	-	-	842
Debt securities in issue ¹	1,304	-	-	1,304	313	-	-	313
Other liabilities	-	290	-	290	-	256	-	256
Total liabilities	2,246	290	-	2,536	1,155	256	-	1,411
Off-balance sheet								
Capital commitments ¹	560	-	-	560	555	-	-	555
Group's maximum exposure to loss	1,119	297	7,733	9,149	952	282	10,180	11,414
Total assets of Structured entities ¹	160,887	297	507,172	668,356	126,925	283	365,076	492,284

¹ 2014 balances have been re-stated

Standard Chartered Bank

Notes to the financial statements continued

24. Structured entities continued

The main types of activities for which the Group utilises unconsolidated structured entities cover synthetic credit default swaps for portfolio management purposes, managed investment funds (including specialised principal finance funds), structured finance and asset-backed securities.

Principal finance funds

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

Portfolio management

For the purposes of portfolio management, the Group purchased credit protection via synthetic credit default swaps from note-issuing structured entities. The referenced assets remain on the Group's balance sheet as they are not assigned to these structured entities. The Group continues to own or hold all of the risks and returns relating to these assets. The credit protection obtained from the regulatory-compliant securitisation only serves to protect the Group against losses upon the occurrence of eligible credit events and the underlying assets are not de-recognised from the Group balance sheet. The Group's exposure arises from a) the capitalised start-up costs in respect of the swap vehicles and b) interest in the first loss notes and investment in a minimal portion of the mezzanine notes issued by the note-issuing structured entities. The proceeds of the notes' issuance are typically held as cash collateral in Issuer's account operated by a Trustee or invested in AAA-rated Government-backed securities to collateralise the structured entities swap obligations to the Group, and to repay the principal to investors at maturity. The structured entities reimburse the Group on actual losses incurred, through the use of the cash collateral or realisation of the collateral security. Correspondingly, the structured entities write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All funding is committed for the life of these vehicles and the Group has no indirect exposure in respect of the vehicles' liquidity position. The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the structured entities have Standard Chartered branding.

Structured finance

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

Asset-backed securities

The Group also has investments in asset-backed securities issued by third party structured entities as set out on page 99 of the Risk and Capital Review.

Standard Chartered Bank

Notes to the financial statements continued

25. Goodwill and intangible assets

Group

	2015				2014			
	Goodwill \$million	Acquired intangibles \$million	Software \$million	Total \$million	Goodwill \$million	Acquired intangibles \$million	Software \$million	Total \$million
Cost								
At 1 January	3,800	777	1,347	5,924	4,795	911	1,102	6,808
Exchange translation differences	(120)	(37)	(93)	(250)	(120)	(18)	(67)	(205)
Additions	-	-	368	368	-	-	371	371
Disposals	-	-	-	-	(12)	(20)	(1)	(33)
Impairment	(488)	-	-	(488)	(758)	-	-	(758)
Amounts written off	-	(265)	(72)	(337)	-	(96)	(58)	(154)
Held for sale	-	-	-	-	(68)	-	-	(68)
Other movements	-	-	-	-	(37)	-	-	(37)
At 31 December	3,192	475	1,550	5,217	3,800	777	1,347	5,924
Provision for amortisation								
At 1 January	-	665	477	1,142	-	728	386	1,114
Exchange translation differences	-	(27)	(34)	(61)	-	(17)	(23)	(40)
Amortisation ¹	-	39	205	244	-	57	165	222
Impairment charge	-	1	-	1	-	8	8	16
Disposals	-	-	-	-	-	(17)	(1)	(18)
Amounts written off	-	(265)	(61)	(326)	-	(94)	(58)	(152)
At 31 December	-	413	587	1,000	-	665	477	1,142
Net book value	3,192	62	963	4,217	3,800	112	870	4,782

1. The amortisation charge for the year is recognised in the income statement within Note 9

At 1 January 2014, the net book value was: goodwill, \$4,795 million; acquired intangibles, \$183 million; and software, \$716 million.

At 31 December 2015, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to \$2,315 million (2014: \$1,827 million), of which \$488 million was recognised in 2015 relating to goodwill held against the Thailand and Taiwan cash generating units (2014: \$758 million relating to goodwill held against Korea and the Corporate advisory cash generating units).

Company

	2015				2014			
	Goodwill \$million	Acquired intangibles \$million	Software \$million	Total \$million	Goodwill \$million	Acquired intangibles \$million	Software \$million	Total \$million
Cost								
At 1 January	270	69	1,037	1,376	272	160	846	1,278
Exchange translation differences	(5)	(8)	(71)	(84)	(2)	(4)	(48)	(54)
Additions	-	-	350	350	-	-	322	322
Disposals	-	-	-	-	-	-	(1)	(1)
Amounts written off	-	(14)	(57)	(71)	-	(87)	(41)	(128)
Other movements	-	-	(22)	(22)	-	-	(41)	(41)
At 31 December	265	47	1,237	1,549	270	69	1,037	1,376
Provision for amortisation								
At 1 January	-	34	322	356	-	117	246	363
Exchange translation differences	-	(3)	(22)	(25)	-	(3)	(14)	(17)
Amortisation	-	5	158	163	-	7	123	130
Impairment charge	-	1	-	1	-	-	8	8
Amounts written off	-	(14)	(47)	(61)	-	(87)	(41)	(128)
At 31 December	-	23	411	434	-	34	322	356
Net book value	265	24	826	1,115	270	35	715	1,020

At 1 January 2014, the net book value was: goodwill, \$272 million; acquired intangibles, \$43 million; and software, \$600 million.

Standard Chartered Bank

Notes to the financial statements continued

25. Goodwill and intangible assets continued

	Group		Company	
	2015 \$million	2014 \$million	2015 \$million	2014 \$million
Acquired intangibles comprise:				
Core deposits	5	8	-	-
Customer relationships	50	75	18	26
Brand names	1	19	-	-
Licences	6	10	6	9
Net book value	62	112	24	35

Group

Acquired intangibles primarily comprise those recognised as part of the acquisitions of Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), Hsinchu (now amalgamated into Standard Chartered Bank (Taiwan) Limited), Pembroke, Harrison Lovegrove, American Express Bank and the custody business in Africa. The acquired intangibles are amortised over periods from four years to a maximum of 16 years.

Testing of goodwill for impairment

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purposes of impairment testing goodwill is allocated at the date of acquisition to a cash-generating unit (CGU), and the table below sets out the goodwill allocated to each CGU. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amounts for all the CGUs were measured based on value-in-use. The key assumptions used in determining the recoverable amounts are set out below and are solely estimates for the purposes of assessing impairment of acquired goodwill.

	2015			2014		
	Goodwill \$million	Pre-tax discount rate per cent	Long-term forecast GDP growth rates per cent	Goodwill \$million	Pre-tax discount rate per cent	Long-term forecast GDP growth rates per cent
Cash Generating Unit						
Pakistan business	251	27.0	4.9	261	21.6	4.6
Taiwan business	828	16.3	3.0	1,238	14.0	4.3
Credit card and personal loan - Asia, India & MENAP	494	15.0	4.0	494	12.0	4.0
India business	303	19.2	7.6	318	16.9	6.5
MESA business ¹	368	19.3	4.0	368	21.0	4.2
Thailand business	165	17.4	3.3	313	13.5	4.5
Financial Institutions and Private Banking Business	396	14.0	3.8	396	11.6	4.0
Corporate advisory business	74	14.0	3.8	77	12.0	4.0
Consumer banking business in Singapore	197	11.9	4.0	211	11.7	3.7
Other	116	13.8 -20.7	3.8-6.2	124	12.0-14.6	4.0-5.2
	3,192			3,800		

¹ MESA business consists of UAE, Saudi Arabia, Jordan, Oman, Qatar, Bahrain, Lebanon, Pakistan, Sri Lanka and Bangladesh

Standard Chartered Bank

Notes to the financial statements continued

25. Goodwill and intangible assets continued

Methodology for determining value-in-use

The calculation of value-in-use for each CGU is based on cash flow projections over a 20 year period, including a terminal value which is determined based on long-term earnings multiple consistent with available market data. These cash flows are discounted using a pre-tax discount rate which reflects current market rates appropriate to the CGU as set out in the table above.

The cash flow projections are based on budgets and forecasts approved by management covering the five years to 2020, except for Financial Institutions and smaller CGUs disclosed within Other which cover one year to 2016. Management forecasts project growth rates greater than long-term GDP rates but which are in line with past performance as adjusted to reflect the current economic climate. For the period after management approved forecasts, the cash flows are extrapolated forward using steady long-term forecast GDP growth rates appropriate to the CGU.

Outcome of impairment assessment

The Group has performed its annual impairment assessment on the level of the goodwill that has been assigned to the Group's cash generating units for indicators of impairment, considering whether there were any reduced expectations for future cash flows and/or fluctuations in the discount rate or the assumptions. At 31 December 2015, the results of this assessment indicated that, the carrying amount exceeded the recoverable value by \$362 million for the Taiwan CGU arising principally from a slow down in the local market and \$126 million for the Thailand CGU arising as a consequence of management actions to reposition the business following the Strategic Review and has been classified as Restructuring.

An impairment charge has been recognised of \$488 million to write down the goodwill attributable to these CGUs to their recoverable values. The pre-tax discount rate applied to the Taiwan CGU was 16.3 per cent and 17.4 per cent in respect of the Thailand CGU.

For all other CGUs the recoverable amounts exceed the carrying amounts against the key assumptions.

It continues to be possible that certain scenarios could be constructed where a combination of reasonably possible changes in the discount rate coupled with a reduction in current business plan forecasts or the GDP growth rate, would potentially result in the carrying amount of goodwill exceeding the recoverable amount in the future for the Taiwan and Thailand CGUs.

Company

Acquired intangibles primarily comprise those recognised as part of the acquisitions of American Express Bank, GE Money and GE Singapore.

Significant items of goodwill arising on acquisitions have been allocated to the following cash generating units for the purposes of impairment testing:

Cash Generating Unit	Goodwill	
	2015	2014
	\$million	\$million
Financial Institutions and Private Banking Business	148	148
Other	117	122
	265	270

All recoverable amounts were measured based on value in use.

The key assumptions and approach to determining value-in-use calculations, as set out above, are solely estimates for the purposes of assessing impairment on acquired goodwill. The calculation for Financial Institutions and Private Banking Business uses cash flow projections based on budgets and forecasts approved by management covering one year and five years respectively. These are then extrapolated for periods of up to a further 19 years using steady long term growth forecast GDP growth rates and as terminal value determined based on long term earnings multiples.

Where these rates are different from available market data on long term rates, that fact is stated above. The cash flows are discounted using a pre-tax discount rate which reflects current market rates appropriate to the cash generating unit. Management believes that a reasonable possible change in any of the key assumptions on which recoverable amounts have been based would not cause the carrying amounts to exceed their recoverable amount.

Standard Chartered Bank

Notes to the financial statements continued

26. Property, plant and equipment

Group	2015				2014			
	Premises \$million	Equipment \$million	Operating lease assets \$million	Total \$million	Premises \$million	Equipment \$million	Operating lease assets \$million	Total \$million
Cost or valuation								
At 1 January	2,330	805	5,047	8,182	2,391	797	5,465	8,653
Exchange translation differences	(107)	(52)	-	(159)	(68)	(29)	-	(97)
Additions	45	85	885	1,015	72	117	1,966	2,155
Disposals and fully depreciated assets written off	(108)	(103)	(749)	(960)	(48)	(80)	(2,384)	(2,512)
Transfers to assets held for sale	(4)	-	(264)	(268)	(17)	-	-	(17)
At 31 December	2,156	735	4,919	7,810	2,330	805	5,047	8,182
Depreciation								
Accumulated at 1 January	652	581	334	1,567	600	582	568	1,750
Exchange translation differences	(32)	(38)	-	(70)	(16)	(20)	-	(36)
Charge for the year	91	88	199	378	105	95	176	376
Impairment charge	21	-	7	28	-	-	-	-
Attributable to assets sold or written off	(62)	(103)	(28)	(193)	(37)	(76)	(410)	(523)
Transfers to assets held for sale	(3)	-	(17)	(20)	-	-	-	-
Accumulated at 31 December	667	528	495	1,690	652	581	334	1,567
Net book amount at 31 December	1,489	207	4,424	6,120	1,678	224	4,713	6,615

At 1 January 2014, the net book value was: premises, \$1,791 million; equipment, \$215 million and operating lease assets, \$4,897 million.

Assets held under finance leases have a net book value of \$134 million (2014: \$142 million) with minimum lease payments of \$4 million (2014: \$7 million) before and after future finance charges.

During the year, an impairment charge of \$7 million (2014: \$nil) was recognised in respect of aircraft and ships held as operating lease assets, as the value-in-use of the assets was lower than the net book value. The charge was recognised within the Corporate & Institutional Clients segment.

Company	2015			2014		
	Premises \$million	Equipment \$million	Total \$million	Premises \$million	Equipment \$million	Total \$million
Cost or valuation						
At 1 January	540	256	796	520	248	768
Exchange translation differences	(26)	(14)	(40)	(24)	(4)	(28)
Additions	26	47	73	50	32	82
Disposals and fully depreciated assets written off	(27)	(60)	(87)	(4)	(20)	(24)
Transfers to assets held for re-sale	-	-	-	(2)	-	(2)
At 31 December	513	229	742	540	256	796
Depreciation						
Accumulated at 1 January	156	166	322	126	158	284
Exchange translation differences	(5)	(7)	(12)	(4)	(13)	(17)
Charge for the year	35	36	71	35	39	74
Attributable to assets sold or written off	(16)	(59)	(75)	(1)	(18)	(19)
Accumulated at 31 December	170	136	306	156	166	322
Net book amount at 31 December	343	93	436	384	90	474

At 1 January 2014, the net book value was: premises \$394 million; and equipment \$90 million.

Assets held under finance leases have a net book value of \$136 million (2014: \$146 million) with minimum lease payments of \$2 million (2014: \$4 million) before and after future finance charges.

Standard Chartered Bank

Notes to the financial statements continued

27. Deferred tax

Group

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year:

	At 1 January 2015	Exchange & other adjustments	Charge/ (credit) to profit	Charge/ (credit) to equity	At 31 December 2015
	\$million	\$million	\$million	\$million	\$million
Deferred taxation comprises:					
Accelerated tax depreciation	156	(7)	46	-	195
Impairment provisions on loans and advances	(314)	21	(474)	-	(767)
Tax losses carried forward	(256)	9	(78)	-	(325)
Available-for-sale assets	85	(3)	(2)	(54)	26
Cash flow hedges	(29)	2	-	25	(2)
Retirement benefit obligations	(79)	2	(4)	10	(71)
Share based payments	(42)	1	9	6	(26)
Other temporary differences	133	(4)	20	-	149
Net deferred tax assets	(346)	21	(483)	(13)	(821)

	At 1 January 2014	Exchange & other adjustments	Charge/ (credit) to profit	Charge/ (credit) to equity	At 31 December 2014
	\$million	\$million	\$million	\$million	\$million
Deferred taxation comprises:					
Accelerated tax depreciation	194	(117)	79	-	156
Impairment provisions on loans and advances	(230)	5	(89)	-	(314)
Tax losses carried forward	(422)	85	81	-	(256)
Available-for-sale assets	33	(1)	-	53	85
Premises revaluation	-	-	-	-	-
Cash flow hedges	2	-	-	(31)	(29)
Retirement benefit obligations	(72)	1	5	(13)	(79)
Share based payments	(71)	-	27	2	(42)
Other temporary differences	184	(4)	(47)	-	133
Net deferred tax assets	(382)	(31)	56	11	(346)

Deferred taxation comprises assets and liabilities as follows:

	2015			2014		
	Total	Asset	Liability	Total	Asset	Liability
	\$million	\$million	\$million	\$million	\$million	\$million
Deferred taxation comprises:						
Accelerated tax depreciation	195	(18)	213	156	1	155
Impairment provisions on loans and advances	(767)	(765)	(2)	(314)	(365)	51
Tax losses carried forward	(325)	(253)	(72)	(256)	(203)	(53)
Available-for-sale assets	26	9	17	85	48	37
Cash flow hedges	(2)	-	(2)	(29)	(28)	(1)
Retirement benefit obligations	(71)	(59)	(12)	(79)	(74)	(5)
Share based payments	(26)	(22)	(4)	(42)	(38)	(4)
Other temporary differences	149	49	100	133	114	19
	(821)	(1,059)	238	(346)	(545)	199

Where permitted deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

Standard Chartered Bank

Notes to the financial statements continued

27. Deferred tax continued

Company

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the reporting period:

	At 1 January 2015 \$million	Exchange & other adjustments \$million	Charge/ (credit) to profit \$million	Charge/ (credit) to equity \$million	At 31 December 2015 \$million
Deferred taxation comprises:					
Accelerated tax depreciation	76	(8)	20	-	88
Impairment provisions on loans and advances	(358)	24	(391)	-	(725)
Tax losses carried forward	(110)	2	26	-	(82)
Available-for-sale assets	41	(1)	-	(38)	2
Cash flow hedges	(29)	1	-	27	(1)
Retirement benefit obligations	(60)	2	(1)	15	(44)
Share based payments	(20)	-	13	6	(1)
Other temporary differences	173	(6)	(40)	-	127
Net deferred tax assets	(287)	14	(373)	10	(636)

	At 1 January 2014 \$million	Exchange & other adjustments \$million	Charge/ (credit) to profit \$million	Charge/ (credit) to equity \$million	At 31 December 2014 \$million
Deferred taxation comprises:					
Accelerated tax depreciation	41	(4)	39	-	76
Impairment provisions on loans and advances	(271)	9	(96)	-	(358)
Tax losses carried forward	(224)	4	110	-	(110)
Available-for-sale assets	20	-	-	21	41
Cash flow hedges	7	(1)	-	(35)	(29)
Retirement benefit obligations	(54)	1	3	(10)	(60)
Share based payments	(38)	-	16	2	(20)
Other temporary differences	178	(5)	-	-	173
Net deferred tax assets	(341)	4	72	(22)	(287)

Deferred taxation comprises assets and liabilities as follows:

	2015			2014		
	Total \$million	Asset \$million	Liability \$million	Total \$million	Asset \$million	Liability \$million
Deferred taxation comprises:						
Accelerated tax depreciation	88	(5)	93	76	(3)	79
Impairment provisions on loans and advances	(725)	(727)	2	(358)	(355)	(3)
Tax losses carried forward	(82)	(82)	-	(110)	(110)	-
Available-for-sale assets	2	-	2	41	36	5
Cash flow hedges	(1)	(1)	-	(29)	(29)	-
Retirement benefit obligations	(44)	(34)	(10)	(60)	(58)	(2)
Share based payments	(1)	3	(4)	(20)	(16)	(4)
Other temporary differences	127	93	34	173	168	5
	(636)	(753)	117	(287)	(367)	80

Where permitted deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

Standard Chartered Bank

Notes to the financial statements continued

27. Deferred tax continued

As at 31 December 2015, the Group has net deferred tax assets of \$821 million (2014: \$346 million).

The recoverability of the Group's deferred tax assets is based on management's judgment of the availability of future taxable profits against which the deferred tax assets will be utilised.

Of the group's total deferred tax assets, \$325 million relates to tax losses carried forward. These tax losses have arisen in individual legal entities and will be offset as future taxable profits arise in those entities.

\$90 million of the deferred tax assets relating to losses has arisen in Korea. Management forecasts show that the losses are expected to be fully utilised over a period of three years. The tax losses expire after 10 years.

\$76 million of the deferred tax assets relating to losses has arisen in the US. Management forecasts show that the losses are expected to be fully utilised over a period of seven years. The tax losses expire after 20 years.

\$71 million of the deferred tax assets relating to losses has arisen in Ireland, where there is no expiry date for unused tax losses. These losses relate to aircraft leasing and are expected to be fully utilised over the useful economical life of the assets being up to 25 years.

\$43 million of the deferred tax assets relating to losses has arisen in Taiwan. Management forecasts show that the losses are expected to be fully utilised over a period of four years. The tax losses expire after 10 years.

The remaining deferred tax assets relating to losses has arisen in other jurisdictions and is expected to be recovered in less than 10 years.

	Group		Company	
	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
No account has been taken of the following potential deferred taxation assets/(liabilities):				
Withholding tax on unremitted earnings from overseas subsidiaries	(237)	(344)	(119)	(171)
Foreign exchange movements on investments in branches	(241)	(140)	(241)	(140)
Tax losses	499	96	469	70
Held over gains on incorporation of overseas branches	(468)	(478)	(468)	(478)
Other temporary differences	38	-	32	-

Standard Chartered Bank

Notes to the financial statements continued

28. Debt securities in issue

Group

	2015			2014		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million
Debt securities in issue	20,174	22,413	42,587	28,585	24,728	53,313
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 15)	104	8,813	8,917	125	8,712	8,837
Total debt securities in issue	20,278	31,226	51,504	28,710	33,440	62,150

Company

	2015			2014		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million
Debt securities in issue	19,386	18,330	37,716	25,135	19,357	44,492
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 15)	-	5,856	5,856	-	4,554	4,554
Total debt securities in issue	19,386	24,186	43,572	25,135	23,911	49,046

29. Other liabilities

	Group		Company	
	2015 \$million	2014 \$million	2015 \$million	2014 \$million
Financial liabilities held at amortised cost (note 15)				
Notes in circulation ¹	4,907	4,738	-	-
Acceptances and endorsements	3,949	5,212	2,700	3,259
Cash collateral	10,074	7,005	9,605	6,618
Unsettled trades and other financial liabilities	12,573	13,130	7,803	7,832
	31,503	30,085	20,108	17,709
Non-financial liabilities				
Liabilities held for sale (note 22) ²	72	710	-	-
Other liabilities	394	403 ³	251	246 ³
	31,969	31,198	20,359	17,955

¹ Hong Kong currency notes in circulation of \$4,907 million (2014:\$4,738 million) that are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 22)

² The \$72 million is in respect of businesses held for sale in Pakistan: the disposal group consists of Standard Chartered Leasing Co. Limited, standard Modarba and standard Chartered Services (Pvt.) Ltd. The related assets are disclosed in note 22

³ Certain balances have been reclassified to 'provision for liabilities and charges' for consistent presentation

Standard Chartered Bank
Notes to the financial statements continued

30. Subordinated liabilities and other borrowed funds

	2015	2014
	\$million	\$million
Subordinated loan capital - issued by subsidiary undertakings		
\$750 million 5.875 per cent subordinated notes 2020	799	802
BWP 127.26 million 8.2 per cent subordinated notes 2022 (callable 2017)	11	13
BWP 70 million floating rate subordinated notes 2021 (callable 2016)	6	7
BWP 50 million floating rate notes 2022 (callable 2017)	5	5
KRW 270 billion 4.67 per cent subordinated debt 2021 (callable 2016)	231	247
KRW 90 billion 6.05 per cent subordinated debt 2018	85	92
PKR 2.5 billion floating rate notes 2022 (callable 2017)	24	25
SGD 750 million 4.15 per cent subordinated notes 2021 (callable 2016)	503	541
TZS 10 billion 11 per cent subordinated notes 2020 (callable 2015)	-	6
UGX 40 billion 13 per cent subordinated notes 2020 (callable 2015)	12	14
	1,676	1,752
Subordinated loan capital - issued by Company		
£700 million 7.75 per cent subordinated notes 2018	1,106	1,208
£675 million 5.375 per cent undated step up subordinated notes (callable 2020)	651	706
£600 million 8.103 per cent step up callable perpetual preferred securities (callable 2016)	905	1,013
£200 million 7.75 per cent undated step up subordinated notes (callable 2022)	364	400
€1.1 billion 5.875 per cent subordinated notes 2017	1,280	1,474
\$2 billion floating rate subordinated notes 2023	2,000	2,000
\$2 billion floating rate subordinated notes 2044 (callable 2039)	2,000	2,000
\$1.698 billion floating rate subordinated notes 2025 (callable 2020)	1,698	1,698
\$1.6 billion floating rate subordinated notes 2022 (callable 2017)	1,600	1,600
\$1.3 billion floating rate subordinated notes 2021 (callable 2016)	1,300	1,300
\$1.25 billion floating rate subordinated notes 2022 (callable 2017)	1,250	1,250
\$1 billion 6.4 per cent subordinated notes 2017	1,065	1,099
\$1 billion floating rate subordinated notes 2022	1,000	1,000
\$960 million floating rate subordinated notes 2022	960	960
\$700 million 8.0 per cent subordinated notes 2031	636	641
\$500 million floating rate subordinated notes 2043	500	500
JPY 10 billion 3.35 per cent subordinated notes 2023 (callable 2018)	86	87
SGD 450 million 5.25 per cent subordinated notes 2023 (callable 2018)	323	355
Primary capital floating rate notes:		
\$400 million	57	57
\$300 million (Series 2)	80	80
\$400 million (Series 3)	83	83
\$200 million (Series 4)	51	51
£150 million	45	48
Total for Company	19,040	19,610
Total for Group	20,716	21,362

Standard Chartered Bank

Notes to the financial statements continued

30. Subordinated liabilities and other borrowed funds continued

	2015				
	USD \$million	GBP \$million	Euro \$million	Others \$million	Total \$million
Fixed rate subordinated debt	2,500	3,026	1,280	1,251	8,057
Floating rate subordinated debt	12,579	45	-	35	12,659
Total	15,079	3,071	1,280	1,286	20,716

	2014				
	USD \$million	GBP \$million	Euro \$million	Others \$million	Total \$million
Fixed rate subordinated debt	2,542	3,327	1,474	1,355	8,698
Floating rate subordinated debt	12,579	48	-	37	12,664
Total	15,121	3,375	1,474	1,392	21,362

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

Redemptions

On 21 October 2015, Standard Chartered Bank (Tanzania) Limited exercised its right to redeem its TZS10 billion 11 per cent subordinated debt due 2020 in full on the first optional call date.

Issuance during the year

There was no issuance during the year.

31. Provisions for liabilities and charges

Group

	Provision for credit commitments \$million	Other provisions \$million	Total \$million
At 1 January	20	109 ¹	129 ¹
Exchange translation differences	(3)	(4)	(7)
Charge against profit	94	89	183
Provisions utilised	(11)	(79)	(90)
At 31 December	100	115	215

¹ Restated for \$37m legal claims and costs which were presented under Other liabilities in 2014

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.

Other provisions include provisions for regulatory settlement and legal claims.

Company

	Provision for credit commitments \$million	Other provisions \$million	Total \$million
At 1 January	109	28 ¹	137 ¹
Exchange translation differences	(1)	(1)	(2)
Charge against profit	145	49	194
Provisions utilised	(47)	(27)	(74)
At 31 December	206	49	255

¹ Restated for certain balances previously presented under Other liabilities

Provision for credit commitments for the Company comprises primarily provisions made as part of risk participation agreements with subsidiaries.

Standard Chartered Bank

Notes to the financial statements continued

32. Retirement benefit obligations

Retirement benefit obligations comprise:

	2015 \$million	2014 \$million
Defined benefit plans obligation	422	391
Defined contribution plans obligation	23	22
Net obligation	445	413

Retirement benefit charge comprises:

	2015 \$million	2014 \$million
Defined benefit plans	96	105
Defined contribution plans	203	228
Charge against (loss)/profit (note 8)	299	333

The Group operates 50 defined benefit plans across its geographies, many of which are closed to new entrants who now join defined contribution arrangements. The aim of all these plans is to give employees the opportunity to save appropriately for retirement in a way that is consistent with local regulations, taxation requirements and market conditions. The defined benefit plans expose the Group to currency risk, interest rate risk, investment risk and actuarial risks such as longevity risk. The UK Fund is the Group's largest arrangement, representing 60 per cent of total pension liabilities.

The disclosures required under IAS 19 have been calculated by independent qualified actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2015.

UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Group's largest pension plan and provides pensions based on one-sixtieth of final salary per year of service, normally payable from age 60. The UK Fund is set up under a Trust that is legally separate from the Bank (its formal sponsor) and as required by UK legislation, at least one third of the Trustee Directors are nominated by members; the remainder are appointed by the Bank. The Trustee Directors have a fiduciary duty to members and are responsible for governing the UK Fund in accordance with its Trust Deed and Rules.

The financial position of the UK Fund is regularly assessed by an independent qualified actuary. The most recent funding valuation was performed as at 31 December 2014 by A Zegleman, Fellow of the Faculty of Actuaries, of Willis Towers Watson, using the projected unit method and assumptions different from those below. To repair the \$106 million (£72 million) past service deficit identified as at 31 December 2014, four annual cash payments of \$18.6 (£12.6) million will be made from January 2016 onwards. If the funding position improves more quickly than expected, the three payments from January 2017 will be reduced or eliminated. In addition, an escrow account of \$162 million (£110 million) exists to provide security for future contributions. The Bank is not required to recognise any additional liability under IFRIC14 or the current exposure draft of proposed amendments to it as it has control of any pension surplus. Following the 31 December 2014 valuation, regular contributions to the UK Fund were set at 32 per cent of pensionable salary for all members. The next valuation is due as at 31 December 2017.

With effect from 1 July 1998, the UK Fund was closed to new entrants and new employees are offered membership of a defined contribution plan. Over 85 per cent of the Fund's liabilities now relate to pensioners or ex-employees who have left the Group but have not yet retired. As at 31 December 2015, the weighted-average duration of the UK Fund was 15 years (2014: 15 years).

Overseas Plans

The principal overseas defined benefit arrangements operated by the Group are in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the United States (US).

The Group's expected contribution to its defined benefit pension plans in 2016 is \$90 million.

Standard Chartered Bank

Notes to the financial statements continued

32. Retirement benefit obligations continued

The financial assumptions used at 31 December 2015 were:

	Funded plans			
	UK Fund ¹	Overseas Plans ²		
	2015 %	2014 %	2015 %	2014 %
Price inflation	1.9	1.9	1.0 – 5.0	1.3 – 5.0
Salary increases	1.9	1.9	1.9 – 6.5	1.9 – 6.5
Pension increases	1.9	1.9	1.3 – 3.0	1.1 – 3.0
Discount rate	3.7	3.6	1.0 – 8.1	1.6 – 8.2

¹ The assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 28 years (2014: 28 years) and a female member 29 years (2014: 29 years) and a male member currently aged 40 will live for 30 years (2014: 30 years) and a female member 31 years (2014: 31 years) after their 60th birthdays

² The range of assumptions shown is for the main funded defined benefit overseas plans in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the US. These comprise over 85 per cent of the total liabilities of funded overseas plans

These assumptions are likely to change in the future and this will affect the value placed on the liabilities. For example, changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

- If the discount rate for the UK Fund increased by 25 basis points the liability would reduce by approximately \$60 million
- If the rate of inflation and pension increases for the UK Fund increased by 25 basis points the liability would increase by approximately \$60 million
- If the rate salaries increase compared to inflation for the UK Fund increased by 25 basis points the liability would increase by approximately \$5 million
- If longevity expectations increased by one year for the UK Fund the liability would increase by approximately \$45 million

Although this analysis does not take account of the full distribution of cash flows expected under the UK Fund, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

	Unfunded plans			
	Post-retirement medical ¹	Other ²		
	2015 %	2014 %	2015 %	2014 %
Price inflation	2.5	2.5	1.9 – 5.0	2.5 – 5.0
Salary increases	4.0	4.0	1.9 – 6.5	1.9 – 6.5
Pension increases	N/A	N/A	0.0 – 1.9	0.0 – 1.9
Discount rate	4.6	4.2	2.5 – 8.2	2.8 – 8.2
Post-retirement medical rate	8% in 2015 reducing by 1% per annum to 5% in 2018	7% in 2014 reducing by 1% per annum to 5% in 2016		N/A

¹ The post-retirement medical plan is in the US

² The range of assumptions shown is for the main unfunded plans in India, Indonesia, Korea, Thailand, UAE and the UK. They comprise over 85 per cent of the total liabilities of unfunded plans

Standard Chartered Bank

Notes to the financial statements continued

32. Retirement benefit obligations continued

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

	2015				2014			
	Funded defined benefit plans		Unfunded plans		Funded defined benefit plans		Unfunded plans	
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million
At 31 December								
Equities	176	267	N/A	N/A	367	287	N/A	N/A
Government Bonds	686	164	N/A	N/A	852	169	N/A	N/A
Corporate Bonds	192	68	N/A	N/A	199	73	N/A	N/A
Absolute return fund	187	-	-	-	-	-	N/A	N/A
Hedge Funds ¹	189	-	N/A	N/A	191	-	N/A	N/A
Insurance linked funds ¹	56	-	N/A	N/A	53	-	N/A	N/A
Opportunistic credit ¹	79	-	N/A	N/A	79	-	N/A	N/A
Property	71	5	N/A	N/A	78	5	N/A	N/A
Derivatives	(11)	-	N/A	N/A	(5)	2	N/A	N/A
Cash and equivalents	49	197	N/A	N/A	23	218	N/A	N/A
Others ¹	9	25	N/A	N/A	12	31	N/A	N/A
Total fair value of assets ²	1,683	726	N/A	N/A	1,849	785	N/A	N/A
Present value of liabilities ³	(1,719)	(901)	(24)	(187)	(1,839)	(963)	(27)	(196)
Net pension (liability) / asset	(36)	(175)	(24)	(187)	10	(178)	(27)	(196)

¹ Unquoted assets

² Self investment is monitored closely and is less than \$2 million of Standard Chartered equities and bonds for 2015 (2014: \$1 million). Self investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Group is a constituent of the relevant index.

³ Includes \$nil (2014: \$1 million) impact as a result of unrecognisable surplus in Kenya

Standard Chartered Bank

Notes to the financial statements continued

32. Retirement benefit obligations continued

Group continued

The pension cost for defined benefit plans was:

	Funded plans		Unfunded plans		Total
	UK Fund \$million	Overseas plans \$million	Post- retirement medical \$million	Other \$million	
2015					
Current service cost	7	62	1	21	91
Past service cost and curtailments	-	(2)	-	-	(2)
Gains on settlements ¹	-	(7)	-	-	(7)
Interest income on pension plan assets	(64)	(24)	-	-	(88)
Interest on pension plan liabilities	63	29	1	9	102
Total charge to loss before deduction of tax	6	58	2	30	96
Return on plan assets excluding interest income ²	45	22	-	-	67
Losses/(gains) on liabilities	2	7	(4)	(15)	(10)
Total losses/(gains) recognised directly in other comprehensive income before tax	47	29	(4)	(15)	57
Deferred taxation	15	(5)	-	-	10
Total losses/(gains) after tax	62	24	(4)	(15)	67

¹ These movements reflect a reduction in workforce in a number of geographies as a result of the restructuring actions of the Group

² The actual return on the UK fund assets was \$19 million and on overseas plan assets was \$2 million

	Funded defined benefit plans		Unfunded plans		Total
	UK Fund \$million	Overseas plans \$million	Post- retirement medical \$million	Other \$million	
2014					
Current service cost	8	65	1	20	94
Past service cost and curtailments	-	(1)	-	-	(1)
Gains on settlements	-	(1)	-	-	(1)
Interest income on pension plan assets	(80)	(28)	-	-	(108)
Interest on pension plan liabilities	81	31	1	8	121
Total charge to profit before deduction of tax	9	66	2	28	105
Return on plan assets excluding interest income ¹	(138)	(15)	-	-	(153)
Loss/(gain) on liabilities	105	89	(1)	21	214
Total (gain)/loss recognised directly in other comprehensive income before tax	(33)	74	(1)	21	61
Deferred taxation	-	(13)	-	-	(13)
Total (gain)/loss after tax	(33)	61	(1)	21	48

¹ The actual return on the UK fund assets was \$218 million and on overseas plan assets was \$43 million

Standard Chartered Bank

Notes to the financial statements continued

32. Retirement benefit obligations continued

Group continued

Movement in the defined benefit plans and post retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund	Overseas plans	Post-retirement medical	Other	Total
	\$million	\$million	\$million	\$million	\$million
Deficit at 1 January 2015	10	(178)	(27)	(196)	(391)
Contributions	7	81	1	20	109
Current service cost	(7)	(62)	(1)	(21)	(91)
Past service cost and curtailments	-	2	-	-	2
Settlement costs	-	7	-	-	7
Net interest on the net defined benefit assets/liability	1	(5)	(1)	(9)	(14)
Actuarial (losses)/gains	(47)	(29)	4	15	(57)
Exchange rate adjustment	-	9	-	4	13
Deficit at 31 December 2015	(36)	(175)	(24)	(187)	(422)

	Funded plans		Unfunded plans		
	UK Fund	Overseas plans	Post-retirement medical	Other	Total
	\$million	\$million	\$million	\$million	\$million
Deficit at 1 January 2014	(23)	(122)	(26)	(170)	(341)
Contributions	9	75	-	14	98
Current service cost	(8)	(65)	(1)	(20)	(94)
Past service cost and curtailments	-	1	-	-	1
Settlement costs	-	1	-	-	1
Net interest on the net defined benefit asset/liability	(1)	(3)	(1)	(8)	(13)
Actuarial gains/(losses)	33	(74)	1	(21)	(61)
Exchange rate adjustment	-	9	-	9	18
Deficit at 31 December 2014	10	(178)	(27)	(196)	(391)

Standard Chartered Bank

Notes to the financial statements continued

32. Retirement benefit obligations continued

Group continued

Movement in defined benefit plans and post-retirement medical gross assets and obligations during the year comprise:

	Assets \$million	Obligations \$million	Total \$million
Deficit at 1 January 2015	2,634	(3,025)	(391)
Contributions ¹	110	(1)	109
Current service cost ²	-	(91)	(91)
Past service cost and curtailments	-	2	2
Settlement costs	(46)	53	7
Interest cost on pension plan liabilities	-	(102)	(102)
Interest income on pension plan assets	88	-	88
Benefits paid out ²	(196)	196	-
Actuarial (losses)/gains ³	(67)	10	(57)
Exchange rate adjustment	(114)	127	13
Deficit at 31 December 2015	2,409	(2,831)	(422)

¹ Includes employee contributions of \$1 million

² Includes administrative expenses paid out of plan assets of \$1 million

³ Actuarial loss on obligation comprises \$42 million gain from financial assumption changes, \$5 million gain from demographic assumption changes and \$37 million loss from experience

	Assets \$million	Obligations \$million	Total \$million
Deficit at 1 January 2014	2,585	(2,926)	(341)
Contributions ¹	100	(2)	98
Current service cost ²	-	(94)	(94)
Past service cost and curtailments	-	1	1
Settlement costs	(11)	12	1
Interest cost on pension plan liabilities	-	(121)	(121)
Interest income on pension plan assets	108	-	108
Benefits paid out ²	(167)	167	-
Actuarial gains/(losses) ³	153	(214)	(61)
Exchange rate adjustment	(134)	152	18
Deficit at 31 December 2014	2,634	(3,025)	(391)

¹ Includes employee contributions of \$2 million

² Includes administrative expenses paid out of plan assets of \$1 million

³ Actuarial loss on obligation comprises \$205 million loss from financial assumption changes, \$12 million loss from demographic assumption changes and \$3 million gain from experience

Standard Chartered Bank

Notes to the financial statements continued

32. Retirement benefit obligations continued

Company

Retirement benefit obligations comprise:

	2015 \$million	2014 \$million
Defined benefit plans obligation	321	296
Defined contribution plans obligation	13	14
Net obligation	334	310

Retirement benefit charge comprises:

	2015 \$million	2014 \$million
Defined benefit plans	65	54
Defined contribution plans	92	91
Charge against (loss)/profit	157	145

UK Fund

See the Group note on the UK fund on page 259. There are no differences between Group and Company in respect of the Fund.

Overseas Plans

The principal overseas defined benefit arrangements operated by the Company are in Germany, India and the United States.

All Plans

The disclosures required under IAS 19 have been calculated by qualified independent actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2015.

Employer contributions to defined benefit plans over 2016 are expected to be \$60 million.

The financial assumptions used at 31 December 2015 as shown below. Sensitivities are recorded on page 260 of the Group accounts.

	Funded plans			
	UK Fund ¹		Overseas Plans ²	
	2015 %	2014 %	2015 %	2014 %
Price inflation	1.9	1.9	1.4 – 5.0	1.3 – 5.0
Salary increases	1.9	1.9	1.9 – 6.5	1.9 – 6.5
Pension increases	1.9	1.9	0.0 – 3.0	0.0 – 3.0
Discount rate	3.7	3.6	2.4 – 8.1	1.9 – 8.2

¹ The assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 28 years (2014: 28 years) and a female member 29 years (2014: 29 years) and a male member currently aged 40 will live for 30 years (2014: 30 years) and a female member 31 years (2014: 31 years) after their 60th birthdays

² The range of assumptions shown is for the main funded defined benefit overseas plans in Germany, India, Jersey and the United States. These comprise 85 per cent of the total liabilities of funded overseas plans

	Unfunded plans			
	Post-retirement medical ¹		Other ²	
	2015 %	2014 %	2015 %	2014 %
Price inflation	2.5	2.5	1.9 – 5.0	1.9 – 5.0
Salary increases	4.0	4.0	1.9 – 6.5	1.9 – 6.5
Pension increases	N/A	N/A	0.0 – 1.9	0.0 – 1.9
Discount rate	4.6	4.2	3.7 – 9.2	3.6 – 8.2
Post-retirement medical rate	8% in 2014 reducing by 1% per annum to 5% in 2018	7% in 2014 reducing by 1% per annum to 5% in 2016		

¹ The Post-retirement medical plan is in the United States

² The range of assumptions shown is for the main Unfunded Plans in India, Indonesia, UAE and the UK. These comprise over 85% of the total liabilities of unfunded plans.

Standard Chartered Bank

Notes to the financial statements continued

32. Retirement benefit obligations continued

The fair value of assets and present value of liabilities of the plans attributable to defined benefit members were:

At 31 December	2015				2014			
	Funded plans		Unfunded plans		Funded plans		Unfunded plans	
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million
Equities	176	104	N/A	N/A	367	100	N/A	N/A
Government Bonds	686	86	N/A	N/A	852	91	N/A	N/A
Corporate Bonds	192	42	N/A	N/A	199	45	N/A	N/A
Absolute return fund	187	-	N/A	N/A	-	-	N/A	N/A
Hedge Funds ¹	189	-	N/A	N/A	191	-	N/A	N/A
Insurance linked funds ¹	56	-	N/A	N/A	53	-	N/A	N/A
Opportunistic credit ¹	79	-	N/A	N/A	79	-	N/A	N/A
Property	71	-	N/A	N/A	78	1	N/A	N/A
Derivatives	(11)	-	N/A	N/A	(5)	-	N/A	N/A
Cash and equivalents	49	20	N/A	N/A	23	-	N/A	N/A
Others ¹	9	24	N/A	N/A	12	40	N/A	N/A
Total fair value of assets ²	1,683	276	N/A	N/A	1,849	277	N/A	N/A
Present value of liabilities	(1,719)	(370)	(24)	(167)	(1,839)	(380)	(27)	(176)
Net pension (liability)/asset	(36)	(94)	(24)	(167)	10	(103)	(27)	(176)

¹ Unquoted assets

² Self investment is monitored closely and is less than \$2 million of Standard Chartered equities and bonds for 2015 (2014: \$1 million). Self investment is only allowed where it is not practical to exclude it, for example through investment in index-tracking funds where the Group is a constituent of the relevant index

The pension cost for defined benefit plans was:

2015	Funded plans		Unfunded plans		
	UK Fund \$million	Overseas plans \$million	Post- retirement medical \$million	Other \$million	Total \$million
Current service cost	7	16	1	19	43
Past service cost and curtailments	-	11	-	-	11
Interest Income on pension plan assets	(64)	(13)	-	-	(77)
Interest expense on pension plan liabilities	63	16	1	8	88
Total charge to loss before deduction of tax	6	30	2	27	65
Return on plan assets excluding Interest Income ¹	45	10	-	-	55
Losses/(gains) on liabilities	2	(15)	(4)	(13)	(30)
Total loss/(gain) recognised directly in statement of comprehensive income before tax	47	(5)	(4)	(13)	25
Deferred taxation	15	-	-	-	15
Total loss/(gain) after tax	62	(5)	(4)	(13)	40

¹ The actual return on the UK fund assets was \$19 million and on overseas plan assets was \$3 million.

2014	Funded plans		Unfunded plans		
	UK Fund \$million	Overseas plans \$million	Post- retirement medical \$million	Other \$million	Total \$million
Current service cost	8	14	1	18	41
Past service cost and curtailments	-	1	-	-	1
Interest income on pension plan assets	(80)	(14)	-	-	(94)
Interest expense on pension plan liabilities	81	17	1	7	106
Total charge to profit before deduction of tax	9	18	2	25	54
Return on plan assets excluding Interest Income ²	(138)	(11)	-	-	(149)
Loss/(gain) on liabilities	105	59	(1)	21	184
Total (gain)/loss recognised directly in statement of comprehensive income before tax	(33)	48	(1)	21	35
Deferred taxation	-	(9)	-	-	(9)
Total (gain)/loss after tax	(33)	39	(1)	21	26

² The actual return on the UK fund assets was \$218 million and on overseas plan assets was \$25 million

Standard Chartered Bank

Notes to the financial statements continued

32. Retirement benefit obligations continued

Company continued

Movement in the defined benefit plans and post retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund	Overseas plans	Post-retirement medical	Other	Total
	\$million	\$million	\$million	\$million	\$million
Deficit at 1 January 2015	10	(103)	(27)	(176)	(296)
Contributions	7	28	1	17	53
Current service cost	(7)	(16)	(1)	(19)	(43)
Past service cost and curtailments	-	(11)	-	-	(11)
Settlement costs	-	-	-	-	-
Net interest on the net defined benefit asset/liability	1	(3)	(1)	(8)	(11)
Actuarial (losses)/gains	(47)	5	4	13	(25)
Exchange rate adjustment	-	6	-	6	12
Deficit at 31 December 2015	(36)	(94)	(24)	(167)	(321)

	Funded plans		Unfunded plans		
	UK Fund	Overseas plans	Post-retirement medical	Other	Total
	\$million	\$million	\$million	\$million	\$million
2014					
Deficit at 1 January 2014	(23)	(61)	(26)	(150)	(260)
Contributions	9	18	-	14	41
Current service cost	(8)	(14)	(1)	(18)	(41)
Past service cost and curtailments	-	(1)	-	-	(1)
Settlement costs	-	-	-	-	-
Net interest on the net defined benefit asset/liability	(1)	(3)	(1)	(7)	(12)
Actuarial gains / (losses)	33	(48)	1	(21)	(35)
Exchange rate adjustment	-	6	-	6	12
Deficit at 31 December 2014	10	(103)	(27)	(176)	(296)

Movement in defined benefit plans and post-retirement medical gross assets and obligations during the year comprise:

	2015			2014		
	Assets	Obligations	Total	Assets	Obligations	Total
	\$million	\$million	\$million	\$million	\$million	\$million
Deficit at 1 January	2,126	(2,422)	(296)	2,092	(2,352)	(260)
Contributions	53	-	53	41	-	41
Current service cost	-	(43)	(43)	-	(41)	(41)
Past service cost and curtailments	-	(11)	(11)	-	(1)	(1)
Settlement costs	-	-	-	-	-	-
Interest cost on pension plan liabilities	-	(88)	(88)	-	(106)	(106)
Interest Income on pension plan assets	77	-	77	94	-	94
Benefits paid out	(136)	136	-	(126)	126	-
Actuarial (losses)/gains ¹	(55)	30	(25)	149	(184)	(35)
Exchange rate adjustment	(106)	118	12	(124)	136	12
Deficit at 31 December	1,959	(2,280)	(321)	2,126	(2,422)	(296)

¹ Actuarial gain on obligation comprises \$56 million gain from financial assumption changes, \$5 million gain from demographic assumption changes and \$31 million loss from experience

Standard Chartered Bank

Notes to the financial statements continued

33. Share capital, other equity and reserves

Group and Company

	Number of ordinary shares (millions)	Ordinary share capital \$million	Preference share capital \$million	Total \$million	Other equity instruments \$million
At 1 January 2014	17,754	17,754	-	17,754	-
Shares issued	3,100	3,100	-	3,100	-
At 31 December 2014	20,854	20,854	-	20,854	-
Shares issued	1,882	1,882	-	1,882	-
Additional Tier 1 equity issuance	-	-	-	-	2,000
At 31 December 2015	22,736	22,736	-	22,736	2,000

Ordinary and preference share capital

The authorised share capital of the Company at 31 December 2015 was \$22,989 million and TWD 1,225 million (2014: \$21,107 million and TWD 1,225 million) made up of 22,982 million ordinary shares of \$1 each, 2.4 million non-cumulative irredeemable preference shares of \$0.01 each, 1 million non-cumulative preference shares of \$5 each, 15,000 non-cumulative redeemable preference shares of \$5 each, 462,500 non-cumulative redeemable 8.125% preference shares of \$5 each and 50million non cumulative redeemable preference shares of TWD24.50 each.

On 15 December 2015 the issued share capital of the Company was increased from \$20,854 million to \$22,354 million by the issue of an additional 1,500 million ordinary shares of \$1 each at nil premium to its parent company, Standard Chartered Holdings Limited.

On 22 December 2015 the issued share capital of the Company was increased from \$22,354 million to \$22,736 million by the issue of an additional 382 million ordinary shares of \$1 each at nil premium to its parent company, Standard Chartered Holdings Limited.

The issued share capital of the Company at 31 December 2015 was \$22,736 million (2014: \$20,854 million) made up of:

- 22,736 million ordinary shares of \$1 each
- 2.4 million non-cumulative irredeemable preference shares of \$0.01 each
- 7,500 non-cumulative redeemable preference shares issued on 8 December 2006 with a nominal value of \$5 each and a premium of \$99,995, making a paid up amount per Preference Share of \$100,000. The preference shares are redeemable at the option of the company in whole or in part on 31 Jan 2017 and on any quarterly dividend payment date falling on or around ten year intervals thereafter. The amount payable on redemption will be the paid up amount of \$100,000 per preference share to be redeemed, plus an amount equal to the accrued but unpaid dividend thereon up to but excluding the redemption date; and
- 7,500 non-cumulative redeemable preference shares issued on 25 May 2007 with a nominal value of \$5 each and a premium of \$99,995, making a paid up amount per Preference Share of \$100,000. The preference shares are redeemable at the option of the company on 30 July 2037 and on any quarterly dividend payment date falling on or around ten year intervals thereafter. The amount payable on redemption will be the paid up amount of \$100,000 per preference share to be redeemed, plus an amount equal to the accrued but unpaid dividend thereon up to but excluding the redemption date

Other equity instruments

On 17 December 2015 SCB issued \$2,000 million Fixed Rate Resetting Perpetual Subordinated Capital Securities as Additional Tier 1 (AT1) securities.

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of SCB in whole but not in part, on the first call date or on any fifth anniversary after the first call date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest to (but excluding) the date fixed for redemption. Any redemption is subject to SCB giving notice to the relevant regulator and the regulator granting permission to redeem
- The interest rate in respect of the securities for the period from (and including) the issue date to (but excluding) 2 April 2021 is a fixed rate of 6.50 per cent per annum. The reset date for the interest rate is 2 April 2021 and each date falling five, or an integral multiple of five years after the first reset date
- The interest rate on the securities will be payable semi-annually in arrear on 2 April and 2 October in each year, commencing on 2 April 2016
- Interest on the securities is due and payable only at the sole and absolute discretion of SCB, subject to certain additional restrictions set out in the terms and conditions. Accordingly, SCB may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date

Standard Chartered Bank

Notes to the financial statements continued

33. Share capital, other equity instruments and reserves continued

- The securities will be written down in full should the fully loaded Common Equity Tier 1 ratio of the issuer fall below 7.0 per cent. (a "Loss Absorption Event")
- The securities rank behind the claims against SCB of (a) unsubordinated creditors, (b) claims which are expressed to be subordinated to the claims of unsubordinated creditors of SCB but not further or otherwise; or (c) claims which are, or are expressed to be, junior to the claims of other creditors of SCB, whether subordinated or unsubordinated, other than claims which rank, or are expressed to rank, pari passu with, or junior to, the claims of holders of the AT1 securities in a winding-up occurring prior to the Loss Absorption Event

Reserves

The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001.

The capital redemption reserve represents the nominal value of preference shares redeemed.

Available-for-sale reserve represents the unrealised fair value gains and losses in respect of financial assets classified as available-for-sale, net of taxation. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying asset is sold, matures or becomes impaired.

Cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria of a cash flow hedge. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur.

Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations.

Retained earnings represents profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after tax increase relating to equity-settled share options, less dividend distributions and own shares (treasury shares).

A substantial part of the Group's reserves are held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

34. Non-controlling interests

	\$300m 7.267% Hybrid Tier 1 Securities \$million	Other non-controlling interests \$million	Total \$million
At 1 January 2014	320	3,680	4,000
Income in equity attributable to non-controlling interests	-	(11)	(11)
Other profits attributable to non-controlling interests	4	741	745
Comprehensive income for the year	4	730	734
Distributions	(11)	(284)	(295)
Other (decreases)/Increases ¹	(313)	25	(288)
At 31 December 2014	-	4,151	4,151
Income in equity attributable to non-controlling interests	-	(116)	(116)
Other profits attributable to non-controlling interests	-	563	563
Comprehensive income for the year	-	447	447
Distributions	-	(518)	(518)
Other increases ²	-	81	81
At 31 December 2015	-	4,161	4,161

¹ The \$300m 7.267% Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited, a wholly owned subsidiary of the Group were redeemed during the year. The Group had no interest in the securities

² Additional investment from non-controlling interest in one of the Group's undertakings

Standard Chartered Bank

Notes to the financial statements continued

35. Share based payments

The Group operates a number of share based arrangements for its executive directors and employees. Details of the share based payment charge are set out below:

	2015 ¹			2014 ¹		
	Cash \$million	Equity \$million	Total \$million	Cash \$million	Equity \$million	Total \$million
Deferred share awards	-	130	130	-	206	206
Other share awards	-	53	53	-	74	74
Total share based payments	-	183	183	-	280	280

¹No forfeiture assumed

2011 Standard Chartered Share Plan

Approved by shareholders in May 2011, the 2011 Standard Chartered Share Plan (the 2011 Plan) is the Group's main share plan; applicable to all employees with the flexibility to provide a variety of award types. The 2011 Plan is designed to deliver various types of share awards including those subject to long term performance conditions, giving the Group sufficient flexibility to meet the challenges of the changing regulatory and competitive environment. Share awards are a key part of both executive directors' and senior management's variable compensation. Such awards ensure that there is an appropriate return for the risk taken and that the measure is aligned with the Group's risk appetite.

- **Performance shares** are subject to a combination of three performance measures: relative total shareholder return (TSR), earnings per share (EPS) growth and return on risk-weighted assets (RoRWA). The weighting between the three elements is split equally, one-third of the award depending on each measure, assessed independently. Performance share awards form part of the variable compensation awarded to executive directors
- **Deferred awards** are used to deliver the deferred portion of total variable compensation, in line with both market practice and regulatory requirements. These awards are subject to a three or five-year deferral period, vesting equally on each anniversary of the award date. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice
- **Underpin shares** are subject to a combination of two performance measures: earnings per share EPS growth and RoRWA. The weighting between the two elements is split equally, one-half of the award depending on each measure, assessed independently. Underpin shares formed part of the variable compensation awarded to executive directors and senior management in respect of 2014 performance
- **Restricted share awards** which are made outside of the annual performance process, as additional incentive, retention mechanisms or as replacement awards to new joiners who forfeit awards on leaving their previous employers, are provided as restricted shares under the 2011 Plan. These awards typically vest in equal instalments on the second and the third anniversaries of the award date. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance conditions

Valuation – performance shares

The fair value of the TSR component is derived by discounting one-third of the award by the loss of expected dividends over the vesting period together with the probability of meeting the relative TSR condition, which is calculated by the area under the TSR vesting schedule curve. The EPS growth fair value is derived by discounting one-third of the award respectively by the loss of expected dividends over the vesting period. The same approach is applied to calculate the RoRWA fair value for one-third of the award. In respect of the EPS growth and RoRWA components, the number of shares expected to vest is adjusted for actual performance when calculating the share-based payment charge for the year. The same fair value applies to all employees including executive directors.

The remaining life of the plan during which new awards can be made is five years

Grant date	2015	2014			
	19 March	10 December	17 September	18 June	13 March
Share price at grant date (£)	10.51	9.34	12.28	12.83	11.92
Vesting period (years)	5	3	3	3	3
Expected dividend yield (%)	5.7	5.7	5.8	5.6	5.3
Fair value (EPS) (£)	2.65	2.64	3.45	3.63	3.40
Fair value (RoRWA) (£)	2.65	2.64	3.45	3.63	3.40
Fair value (TSR) (£)	1.08	1.07	1.41	1.48	1.38

The expected dividend yield assumption is based on a historical average over a period commensurate with this period until vesting, or over one year if the period until vesting is less than one year.

Standard Chartered Bank

Notes to the financial statements continued

35. Share based payments continued

Valuation – deferred shares, underpin shares and restricted shares

The fair value, for all employees including executive directors, is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends.

Deferred shares and underpin shares accrue dividend equivalent payments during the vesting period. The expected dividend yield assumption is based on a historical average over a period commensurate with this 'average' period until vesting, or over one year if the average period until vesting is less than one year.

Details of deferred, underpin and performance shares awards for executive directors can be found in the Report of Directors' on pages 152 to 155. All awards are subject to the Group's claw-back policy.

Deferred share awards¹

Grant date	2015		2014	
	17 June	19 March	18 June	13 March
Share price at grant date (£)	10.28	10.51	12.83	11.92
Vesting period (years)	1/2/3, 1/2/3/4/5	1/2/3, 3, 1/2/3/4/5,5	1/2/3	1/2/3
Expected dividend yield (%)	n/a	n/a	n/a	n/a
Fair value (£)	10.28	10.51	12.83	11.92

¹ Deferred shares include 88,024 underpin shares, granted on 19 March 2015 with three and five year cliff vesting. Valuation as per deferred shares granted on the same date

Deferred awards accrue dividend equivalent payments during the vesting period.

Other restricted share awards

Grant date	2015				2014			
	1 December	22 September	17 June	19 March	10 December	17 September	18 June	13 March
Share price at grant date (£)	5.57	6.73	10.28	10.51	9.34	12.28	12.83	11.92
Vesting period (years)	2/3	2/3, 1/2/3/4, 2/3/4	2/3	2/3	2/3, 1/2/3/4	2/3, 1/2/3/4	2/3, 1/2/3/4	2/3
Expected dividend yield (%)	6.4	6.4	7.0	7.0	5.5	5.7	6.1	5.8
Fair value (£)	4.77	5.77	8.68	8.88	8.17	10.69	11.08	10.37

2001 Performance Share Plan (2001 PSP) – now closed to new grants

The Group's previous plan for delivering performance shares was the 2001 PSP and there remain outstanding vested awards. Under the 2001 PSP half the award is dependent upon TSR performance and the balance is subject to a target of defined EPS growth. Both measures use the same three-year period and are assessed independently.

2006 Restricted Share Scheme (2006 RSS) / 2007 Supplementary Restricted Share Scheme (2007 SRSS)

The Group's previous plans for delivering restricted shares were the 2006 RSS and 2007 SRSS both now replaced by the 2011 Plan. There remain outstanding vested awards under these plans. Awards were generally in the form of nil cost options and do not have any performance conditions. Generally deferred restricted share awards vest equally over three years and for non-deferred awards half vests two years after the date of grant and the balance after three years. No further awards will be granted under the 2006 RSS and 2007 SRSS.

All Employee Sharesave Plan (2004 International Sharesave, 2004 UK Sharesave and 2013 Sharesave)

Under the Sharesave plans, employees have the choice of opening a savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the Sharesave plans. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries the Group offers an equivalent cash-based plan to its employees. The 2004 Sharesave plans are now closed and no further awards will be granted under these plans.

The Standard Chartered 2013 Sharesave Plan was approved by shareholders in May 2013 and all future sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is seven years.

Standard Chartered Bank

Notes to the financial statements continued

35. Share based payments continued

Valuation – Sharesave

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

All Employee Sharesave Plan (Sharesave)

	2015	2014
Grant date	7 October	8 October
Share price at grant date (£)	7.41	11.12
Exercise price (£) ¹	5.86	9.85
Vesting period (years)	3	3
Expected volatility (%)	28.0	25.1
Expected option life (years)	3.33	3.33
Risk free rate (%)	0.9	1.19
Expected dividend yield (%)	6.3	5.8
Fair value (£)	1.40	1.61

¹ For Sharesave granted in 2015 and 2014 the exercise prices have been adjusted downwards to reflect the rights issue by approximately 5.06 per cent (the adjusted exercise prices are £5.58 for 2015 and £9.38 for 2014)

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend for three years prior to grant.

Reconciliation of option movements for the year to 31 December 2015

	2015 Plan ¹						Weighted average exercise price (£)
	Performance shares	Deferred/ Restricted shares	PSP ¹	RSS ¹	SRSS ¹	Sharesave	
Outstanding as at 1 January	14,197,531	18,004,114	242,150	2,101,014	663,148	14,003,914	10.91
Granted ²	83,787 ⁴	11,468,678 ⁵	-	-	-	7,735,481	5.86
Additional shares for rights issue ³	463,356	1,093,846	4,607	48,365	6,761	781,316	
Lapsed	(4,669,438)	(839,289)	(78,787)	(472,152)	(386,668)	(6,971,739)	10.74
Exercised	(471,869)	(7,049,656)	(72,076)	(677,998)	(143,131)	(222,692)	10.66
Outstanding as at 31 December	9,603,367	22,677,693	95,894	999,229	140,110	15,326,280	7.87
Exercisable as at 31 December	316,593	3,321,907	95,894	999,229	140,110	1,683,365	11.31
Range of exercise prices (£)	5.58-13.93						
Intrinsic value of vested but not exercised options (\$ million)	0.1	1.7	0.2	0.5	0.1	-	
Weighted average contractual remaining life (years)	7.7	5.3	2.4	1.4	1.4	2.6	
Weighted average share price for options exercised during the period (£)	10.02	9.78	9.13	9.65	9.99	10.82	

¹ Employees do not contribute towards the cost of these awards

² For Sharesave granted in 2015 the exercise price has been adjusted downwards to reflect the rights issue by approximately 5.06 per cent (the adjusted exercise price is £5.58)

³ For grants awarded prior to the announcement of the rights issue and which had not been exercised or lapsed as of 23 November 2015, the number of shares under award has been agreed to be adjusted upwards to reflect the rights issue by approximately 5.06 per cent. The adjustment follows the standard approach that companies apply to employee shares awards in the event of a rights issue. The adjustment compensates participants for their inability to participate in the Rights Issue in relation to their outstanding employee share awards

⁴ 83,787 granted on 19 March 2015

⁵ 9,253,919 granted on 19 March 2015, 768,225 (notional dividend) granted on 13 March 2015, 140,722 granted on 17 June 2015, 2,572 (notional dividend) granted on 18 June 2015, 261 (notional dividend) granted on 19 September 2015, 1,215,196 granted on 22 September 2015, and 87,783 granted on 1 December 2015

Standard Chartered Bank

Notes to the financial statements continued

35. Share based payments continued

Reconciliation of option movements for the year to 31 December 2014

	2011 Plan ¹								
	Performance shares ²	Deferred/ Restricted shares ²	PSP ^{1,2}	RSS ^{1,2}	SRSS ¹	ESOS ³	Weighted average exercise price (£)	Sharesave ²	Weighted average exercise price (£)
Outstanding as at 1 January	13,249,434	15,355,254	528,134	6,943,666	980,352	36,156	7.89	14,582,033	11.62
Granted	4,834,361 ²	8,645,780 ³	-	146,954 ⁴	-	-	-	4,495,659	9.85
Lapsed	(2,910,554)	(664,974)	(1,321)	(179,307)	(4,054)	-	-	(4,733,130)	12.10
Exercised	(975,710)	(5,331,946)	(284,663)	(4,810,299)	(313,150)	(36,156)	7.89	(340,648)	10.82
Outstanding as at 31 December	14,197,531	18,004,114	242,150	2,101,014	663,148	-	-	14,003,914	10.91
Exercisable as at 31 December	330,824	1,423,647	242,150	2,101,014	663,148	-	-	2,983,010	10.67
Range of exercise prices (£)	-	-	-	-	-	-	-	9.85-14.63	-
Intrinsic value of vested but not exercised options (\$ million)	0.3	1.3	0.5	2.4	0.5	-	-	-	-
Weighted average contractual remaining life (years)	8.1	5.4	3.5	3.5	1.9	-	-	2.0	-
Weighted average share price for options exercised during the period (£)	12.58	12.21	12.55	12.32	12.24	12.57	-	12.74	-

¹ Employees do not contribute towards the cost of these awards

² 4,665,068 granted on 13 March 2014, 128,616 granted on 18 June 2014, 33,896 granted on 17 September 2014 and 6,781 granted on 10 December 2014

³ 7,642,227 granted on 13 March 2014, 268,035 (notional dividend) granted on 11 March 2014, 231,006 (notional dividend) granted on 13 March 2014, 81,432 granted on 18 June 2014, 263 (notional dividend) granted on 19 June 2014, 3,101 (notional dividend) granted on 20 June 2014, 40 (notional dividend) granted on 22 June 2014, 223,209 granted on 17 September 2014, 368 (notional dividend) granted on 17 September 2014 and 196,099 granted on 10 December 2014

⁴ Granted on 10 March 2014 and relates to notional dividend applied to unvested portion of awards.

Standard Chartered Bank

Notes to the financial statements continued

36. Cash flow statement

Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
Amortisation of discounts and premiums of investment securities	(241)	(210)	(121)	(92)
Interest expense on subordinated liabilities	477	982	491	592
Interest expense on senior debt liabilities	127	161	2	14
Other non - cash income items	273	9	283	51
Pension costs for defined benefit schemes	96	105	65	54
Share based payment costs	183	280	130	188
Impairment losses on loans and advances and other credit risk provisions	4,976	2,141	3,312	855
Dividend income from subsidiaries and associates	-	-	(1,502)	(2,240)
Other impairment	732	1,161	158	2,479
Loss on business classified as held for sale	4	15	-	-
Profit from associates and joint ventures	(192)	(249)	-	-
Total	6,435	4,395	2,818	1,901

Change in operating assets

	Group		Company	
	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
Increase in derivative financial instruments	(231)	(4,755)	(438)	(3,593)
Decrease/(increase) in debt securities, treasury bills and equity shares held at fair value through profit or loss	9,523	(1,788)	4,622	(4,335)
Decrease/(increase) in loans and advances to banks and customers	20,957	(244)	8,933	703
Net decrease/(increase) in pre-payments and accrued income	357	(175)	176	(192)
Net decrease/(increase) in other assets	3,870	(5,589)	825	(3,010)
Total	34,476	(12,551)	14,118	(10,427)

Change in operating liabilities

	Group		Company	
	2015	2014	2015	2014
	\$million	\$million	\$million	\$million
(Decrease)/increase in derivative financial instruments	(528)	2,469	(418)	2,081
Net (decrease)/increase in deposits from banks, customer accounts, debt securities in issue and short positions	(69,369)	51,674	(44,826)	42,247
(Decrease)/increase in accruals and deferred income	(179)	1,384	72	1,220
Increase/(decrease) in amounts due to parents/subsidiaries/other related parties	4,310	(174)	2,119	3,083
Increase in other liabilities	587	2,999	2,346	3,452
Total	(65,179)	58,352	(40,707)	52,083

Standard Chartered Bank

Notes to the financial statements continued

37. Cash and cash equivalents

The following balances with less than three months' maturity from the date of acquisition have been identified by the Group as being cash and cash equivalents.

	Group		Company	
	2015 \$million	2014 \$million	2015 \$million	2014 \$million
Cash and balances at central banks	65,312	97,282	49,916	82,728
Less restricted balances ¹	(9,112)	(10,073)	(3,274)	(4,005)
Treasury bills and other eligible bills	10,280	7,495	491	1,017
Loans and advances to banks	18,946	31,204	9,780	12,992
Trading securities	3,002	3,962	2,217	2,477
Total	88,428	129,870	59,130	95,209

¹ Restricted balances comprise minimum balances required to be held at central banks

38. Capital commitments

Capital expenditure approved by the directors but not provided for in these accounts amounted to:

	Group		Company	
	2015 \$million	2014 \$million	2015 \$million	2014 \$million
Contracted	1	6	-	-

39. Operating lease commitments

Group

	2015		2014	
	Premises \$million	Equipment \$million	Premises \$million	Equipment \$million
Commitments under non-cancellable operating leases expiring:				
Within one year	282	3	317	3
Later than one year and less than five years	674	2	735	4
After five years	383	-	578	-
	1,339	5	1,630	7

During the year \$433 million (2014: \$406 million) was recognised as an expense in the income statement in respect of operating leases. The Group leases various premises and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The total future minimum sublease payments expected to be received under non-cancellable subleases at 31 December 2015 is \$116 million (2014: \$144 million).

Company

	2015		2014	
	Premises \$million	Equipment \$million	Premises \$million	Equipment \$million
Commitments under non-cancellable operating leases expiring:				
Within one year	80	-	104	-
Later than one year and less than five years	285	-	362	-
After five years	281	-	408	-
	646	-	874	-

During the year \$132 million (2014: \$135 million) was recognised as an expense in the income statement in respect of operating leases. The Company leases various premises and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The total future minimum sublease payments expected to be received under non-cancellable subleases at 31 December 2015 are \$3 million (2014: \$4 million).

Standard Chartered Bank

Notes to the financial statements continued

40. Contingent liabilities and commitments

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

Group

	2015 \$million	2014 \$million
Contingent liabilities		
Guarantees and irrevocable letters of credit	29,694	33,318
Other contingent liabilities	9,361	9,214
	39,055	42,532
Commitments		
Documentary credits and short term trade-related transactions	4,852	7,911
Forward asset purchases and forward deposits placed	530	539 ¹
Undrawn formal standby facilities, credit lines and other commitments to lend ¹ :		
One year and over	45,327	42,380
Less than one year	14,104	18,490
Unconditionally cancellable	123,036	142,601
	187,849	211,921

¹ 2014 balances have been restated

Company

	2015 \$million	2014 \$million
Contingent liabilities		
Guarantees and irrevocable letters of credit	20,880	22,737
Other contingent liabilities	8,744	8,297
	29,624	31,034
Commitments		
Documentary credits and short term trade-related transactions	3,530	5,253
Forward asset purchases and forward deposits placed	9	1
Undrawn formal standby facilities, credit lines and other commitments to lend:		
One year and over	34,782	28,250 ¹
Less than one year	3,587	6,213 ¹
Unconditionally cancellable	46,013	50,789
	87,921	90,506

¹ 2014 balances have been restated

The Group's share of contingent liabilities and commitments in the joint venture, PT Bank Permata TBK is \$286 million (2014: \$336 million).

Contingent liabilities

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

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

Commitments

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

Standard Chartered Bank

Notes to the financial statements continued

41. Legal and regulatory matters

The Group seeks to comply with all applicable laws and regulations, but may be subject to regulatory actions and investigations across our markets, the outcome of which are generally difficult to predict and can be material to the Group.

Further details on regulatory compliance, reviews, request for information, investigation and risk of fraud and other criminal acts are set out in pages 134 to 135 and 132 to 135 of the Risk and capital review.

In addition to these matters, the Group receives legal claims against it in a number of jurisdictions arising in the normal course of business. The Group considers none of these claims as material.

Where appropriate, the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established.

42. Post balance sheet events

Tax

On 8 July 2015 the UK government announced changes to tax rates. These changes have been substantively enacted at the balance sheet date, but take effect in future periods. The changes were as follows:

- **Corporation tax surcharge**
An 8% corporation tax surcharge applies to UK profits of banks with effect from 1 January 2016. Management estimates that the impact of this change will not be material to the Group
- **UK bank levy**
A phased reduction in the rate at which the UK bank levy is charged on qualifying liabilities is introduced. The current rates of 0.21 per cent for short term liabilities and 0.105 per cent for long term liabilities will be gradually reduced over the next 6 years. The rates applicable from 1 January 2021 will be 0.10 per cent for short term liabilities and 0.05 per cent for long term liabilities. In addition, the scope of the Bank Levy will be restricted to the balance sheet of UK operations only from 2021 onwards. The restriction of scope is currently in the process of consultation

43. Related party transactions

The ultimate parent company of the Group is Standard Chartered PLC, a company registered in England and Wales, and the immediate parent company is Standard Chartered Holdings Limited. The consolidated financial statements of Standard Chartered PLC are available at the registered address located at 1 Basinghall Avenue, London, EC2V 5DD, England.

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in note 14 on Remuneration of Directors.

IAS 24 'Related party disclosures' requires the following additional information for key management compensation. Key management comprises non-executive directors of Standard Chartered PLC, the Court Directors of Standard Chartered Bank and Person discharging managerial responsibilities of Standard Chartered PLC.

	2015 \$million	2014 \$million
Salaries, allowances and benefits in kind	36	28
Pension contributions	3	9
Bonuses paid or receivable	-	1
Share based payments	17	37
	56	75

Transactions with directors, officers and others

At 31 December 2015, the total amounts to be disclosed under the Companies Act 2006 (the Act) about loans to directors and officers were as follows:

	2015		2014	
	Number	\$000	Number	\$000
Directors	1	-	3	6

Other than as disclosed in these financial statements, there were no other transactions, arrangements or agreements outstanding for any director of the Company which have to be disclosed under the Act.

Standard Chartered Bank

Notes to the financial statements continued

43. Related party transactions continued

Group

	2015				2014			
	Due from/to subsidiary undertakings and other related parties	Derivatives	Subordinated liabilities and other borrowed funds	Accruals	Due from/to subsidiary undertakings and other related parties	Derivatives	Subordinated liabilities and other borrowed funds	Accruals
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Assets								
Ultimate parent company	-	1,437	-	-	-	475	-	-
Fellow subsidiaries of								
SC PLC Group	-	7	-	-	-	8	-	-
	-	1,444	-	-	-	483	-	-
Liabilities								
Ultimate parent company	16,081	638	12,624	139	15,079	865	12,627	132
Fellow subsidiaries of								
SC PLC Group	2,676	9	-	20	488	6	-	6
	18,757	647	12,624	159	15,567	871	12,627	138

	2015		2014	
	Interest expense	Dividend expense	Interest expense	Dividend expense
	\$million	\$million	\$million	\$million
	632	551	639	1,208

Several inter-company balances were settled in cash during the year. The asset due from the ultimate parent company relates to the partial rebate of the license value as explained below.

The Group contributes to employee pension funds and provides banking services free of charge to the UK fund. For details of the funds see note 33.

The Group's employees participate in the Standard Chartered PLC group's share based compensation plans (see note 36). The cost of the compensation is recharged from SC PLC to the Group's branches and subsidiaries.

Associates and Joint ventures

	2015				2014			
	China Bohai Bank	Asia Commercial Bank	Clifford Capital	PT Bank Permata	China Bohai Bank ¹	Asia Commercial Bank	Clifford Capital	PT Bank Permata
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Assets								
Loans and advances	11	-	-	69	-	-	30	136
Debt securities	-	-	-	112	-	-	-	120
Derivative assets	18	-	6	-	18	-	-	-
Total assets	29	-	6	181	18	-	30	256
Liabilities								
Deposits	70	-	-	16	89	-	4	40
Derivative liabilities	3	-	-	-	1	-	-	-
Total liabilities	73	-	-	16	90	-	4	40
Loan commitments and other guarantees	-	-	50	-	-	-	50	-

¹Balances have been reinstated

Standard Chartered Bank

Notes to the financial statements continued

43. Related party transactions continued

Company

	2015				2014			
	Due from/to subsidiary undertakings and other related parties	Derivatives	Subordinated liabilities and other borrowed funds	Accruals	Due from/to subsidiary undertakings and other related parties	Derivatives	Subordinated liabilities and other borrowed funds	Accruals
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Assets								
Ultimate parent company	-	1,437	-	-	-	475	-	-
Subsidiaries and fellow subsidiaries of SC PLC Group	14,548	5,079	-	51	19,312	3,639	-	37
	14,548	6,516	-	51	19,312	4,114	-	37
Liabilities								
Ultimate parent company	16,072	638	12,624	139	13,297	865	12,627	132
Subsidiaries and fellow subsidiaries of SC PLC Group	17,749	4,193	-	23	24,047	2,749	-	12
	33,821	4,831	12,624	162	37,344	3,614	12,627	144

Company

	2015					
	Fees and commission income	Fees and commission expense	Interest income	Interest expense	Dividend income	Dividend expense
	\$million	\$million	\$million	\$million	\$million	\$million
Ultimate parent company	-	-	5	632	-	-
Subsidiaries and fellow subsidiaries of SC PLC Group	5	175	278	168	-	-
	5	175	283	800	-	-

	2014					
	Fees and commission income	Fees and commission expense	Interest income	Interest expense	Dividend income	Dividend expense
	\$million	\$million	\$million	\$million	\$million	\$million
Ultimate parent company	-	-	-	633	-	-
Subsidiaries and fellow subsidiaries of SC PLC Group	88	211	263	108	-	-
	88	211	263	741	-	-

As at 31 December 2015, the Company had created a charge over \$74 million (2014: \$68 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

The Company has provided a letter of support to its subsidiary undertaking, Standard Chartered Overseas Holdings Limited.

The Company contributes to employee pension funds and provides banking services free of charge to the UK fund. For details of the funds see note 32.

As at 31 December 2015 the Company held debt securities issued by subsidiary undertakings of \$1,689 million (2014: \$1,380 million). There is no debt security issued to subsidiary undertakings.

The Company's employees participate in the Standard Chartered PLC group's share based compensation plans (see note 35).

The Company has an agreement with Standard Chartered PLC that in the event of the Company defaulting on its debt coupon interest payments, where the terms of such debt requires it, Standard Chartered PLC shall issue shares as settlement for non-payment of the coupon interest.

Standard Chartered Bank

Notes to the financial statements continued

44. Related undertakings of the Group

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the effective percentage of equity owned, as at 31 December 2015 is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Refer to note 23 for undertakings that have a significant contribution to the Group's net profit or net assets.

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
BWA Dependents Limited	United Kingdom	£1.00 Ordinary shares	100
Chartered Financial Holdings Limited	United Kingdom	£5.00 Ordinary shares	100
		£1.00 Preference shares	100
Compass Estates Limited (in liquidation) ¹	United Kingdom	£1.00 Ordinary shares	100
Harrison Lovegrove & Co. Limited (in liquidation) ¹	United Kingdom	£1.00 Ordinary shares	100
Pembroke Aircraft Leasing (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
SC (Secretaries) Limited ¹	United Kingdom	£1.00 Ordinary shares	100
SC Leaseco Limited ¹	United Kingdom	\$1.00 Ordinary shares	100
SC Overseas Investments Limited ¹	United Kingdom	AUD1.00 Ordinary shares	100
		\$1.00 Ordinary shares	100
SC Transport Leasing 1 LTD	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 2 Limited	United Kingdom	£1.00 Ordinary shares	100
SCMB Overseas Limited ¹	United Kingdom	£0.10 Ordinary shares	100
Stanchart Nominees Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered (CT) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered (GCT) Limited ¹	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Africa Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered APR Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Capital Markets Limited (in liquidation) ¹	United Kingdom	£1.00 Ordinary shares	100
		\$1.00 Ordinary shares	100
Standard Chartered Corporate Finance (Canada) ¹ Limited (in liquidation)	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Corporate Finance (Eurasia) Limited (in liquidation) ¹	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Debt Trading Limited ¹	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Equitor Limited (in liquidation)	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Financial Investments Limited (in liquidation) ¹	United Kingdom	£1.00 Ordinary A shares	100
Standard Chartered FURBS Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Health Trustee (UK) Limited ¹	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Leasing (UK) Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 3 Limited ¹	United Kingdom	\$1.00 Ordinary shares	100
		\$1.00 Ordinary shares	100
Standard Chartered Masterbrand Licensing Limited ¹	United Kingdom	\$1.00 Ordinary shares	100

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered NEA Limited ¹	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Overseas Holdings Limited ¹	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Portfolio Trading (UK) Limited (in liquidation) ¹	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Receivables (UK) Limited (in liquidation) ¹	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Securities (Africa) Holdings Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Trustees (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered UK Holdings Limited ¹	United Kingdom	£10.00 Ordinary shares	100
The SC Transport Leasing Partnership 1 ⁵	United Kingdom	Partnership interest	100
The SC Transport Leasing Partnership 2 ⁵	United Kingdom	Partnership interest	100
The SC Transport Leasing Partnership 3 ⁵	United Kingdom	Partnership interest	100
The SC Transport Leasing Partnership 4 ⁵	United Kingdom	Partnership interest	100
The BW Leasing Partnership 1 LP ⁶	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 2 LP ⁶	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 3 LP ⁶	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 4 LP ⁶	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 5 LP ⁶	United Kingdom	Partnership interest	99.9
Standard Chartered Bank Angola S.A.	Angola	AOK4,825.00 Ordinary shares	60
Standard Chartered Grindlays Pty Limited ¹	Australia	AUD Ordinary shares	100
Standard Chartered Bank Botswana Insurance Agency (Proprietary) Limited	Botswana	BWP1.00 Ordinary shares	100
Standard Chartered Bank Botswana Investment Services (Pty) Limited	Botswana	BWP1.00 Ordinary shares	100
Standard Chartered Bank Botswana Limited ¹	Botswana	BWP1.00 Ordinary shares	75.827
Standard Chartered Botswana Education Trust ^{1,7}	Botswana	-	100
Standard Chartered Botswana Nominees (Proprietary) Limited	Botswana	BWP Ordinary shares	100
Standard Chartered Bank (Brasil) S.A. - Banco de Investimento ¹	Brazil	BRL Ordinary shares	100
Standard Chartered Participacoes E Assessoria Economica Ltda ¹	Brazil	BRL0.51 Common shares	100
Standard Chartered Finance (Brunei) Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
Standard Chartered Bank Cameroon S.A	Cameroon	XAF10,000.00 shares	100
Standard Chartered (Canada) Limited ¹	Canada	CAD1.00 Ordinary shares	100
SCB Investment Holding Company Limited ¹	Cayman Islands	\$0.01 A Ordinary shares	100

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Sirat Holdings Limited	Cayman Islands	\$0.01 Ordinary shares	91
		\$0.01 Preference shares	66.7
Standard Chartered Principal Finance (Cayman) Limited ¹	Cayman Islands	\$1.00 Ordinary shares	100
Standard Chartered Saadiq Certificate Company Limited ¹	Cayman Islands	\$1.00 Ordinary shares	100
Standard Chartered Saadiq Mudarib Company Limited ¹	Cayman Islands	\$1.00 Ordinary shares	100
Sunflower Cayman SPC ^{1, 4}	Cayman Islands	\$1.00 Management shares	100
Cerulean Investments LP	Cayman Islands	Partnership interest	100
Gettysburg Investments LP	Cayman Islands	Partnership interest	100
Inner Mongolia Hellingeer Standard Chartered Village Bank Limited ¹	China	CNY1.00 Ordinary shares	100
SCL Consulting (Shanghai) Co. Ltd (in liquidation)	China	\$ Ordinary shares	100
Scope International (China) Co., Ltd.	China	\$ Ordinary shares	100
Standard Chartered Bank (China) Limited ¹	China	CNY Ordinary shares	100
Standard Chartered Corporate Advisory Co. Ltd	China	\$1.00 Ordinary shares	100
Standard Chartered Trading (Shanghai) Limited	China	\$15,000,000.00 Ordinary shares	100
Sociedad Fiduciaria Extebandes S.A. (in liquidation)	Colombia	COP1.00 Ordinary shares	100
Standard Chartered Bank Cote d'Ivoire SA	Cote d'Ivoire	XOF100,000.00 Ordinary shares	100
American Express International Finance Corp.N.V. (in liquidation)	Curaçao	\$1,000.00 Ordinary shares	100
Ricanex Participations N.V. (in liquidation)	Curaçao	\$1,000.00 Ordinary shares	100
Standard Chartered Bank Gambia Limited	Gambia	GMD1.00 Ordinary shares	74.9
		GHC Ordinary shares	69.4
		GHC5,200.00 Preference shares	87.1
Standard Chartered Ghana Nominees Limited	Ghana	GHS Ordinary shares	100
Birdsong Limited	Guernsey	£1.00 Ordinary shares	100
Nominees One Limited	Guernsey	£1.00 Ordinary shares	100
Nominees Two Limited	Guernsey	£1.00 Ordinary shares	100
Songbird Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Secretaries (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Trust (Guernsey) Limited ¹	Guernsey	£1.00 Ordinary shares	100
Double Wings Limited	Hong Kong	HKD1.00 Ordinary shares	100
GE Capital (Hong Kong) Limited (in liquidation) ¹	Hong Kong	HKD10.00 Ordinary shares	100
Grimes Golden Limited (in liquidation)	Hong Kong	HKD Ordinary shares	100
		\$ Ordinary shares	100
Horsford Nominees Limited	Hong Kong	HKD Ordinary shares	100
Kozagi Limited	Hong Kong	HKD10.00 Ordinary shares	100
Lame Limited (in liquidation)	Hong Kong	HKD Ordinary shares	100
Leopard Hong Kong Limited (in liquidation) ¹	Hong Kong	\$ Ordinary shares	100
Majestic Legend Limited	Hong Kong	HKD1.00 Ordinary shares	100
Marina Acacia Shipping	Hong Kong	\$ Ordinary shares	100

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Limited			
Marina Amaryllis Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Amethyst Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Ametrine Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Angelite Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Apollo Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Beryl Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Carnelian Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Emerald Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Flax Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Gloxinia Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Hazel Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Honor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		\$ Ordinary shares	100
Marina Ilex Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Iridot Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Kunzite Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Leasing Limited	Hong Kong	\$ Ordinary shares	100
Marina Mimosa Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Moonstone Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Peridot Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Ruby Shipping Limited (in liquidation)	Hong Kong	\$ Ordinary shares	100
Marina Sapphire Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Splendor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		\$ Ordinary shares	100
Marina Tourmaline Shipping Limited	Hong Kong	\$ Ordinary shares	100
Ori Private Limited	Hong Kong	\$1.00 Ordinary shares	100
	Hong Kong	\$1.00 A Ordinary shares	90.8
Prime Financial Limited (in liquidation)	Hong Kong	HKD Ordinary shares	100
Rivendell Private Limited	Hong Kong	\$1.00 A Ordinary shares	84.8
S C Learning Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Asia Limited	Hong Kong	HKD Deferred shares	100
		HKD Ordinary shares	100
Standard Chartered Bank (Hong Kong) Limited ¹	Hong Kong	HKD A Ordinary shares	100
		HKD B Ordinary shares	100
		\$ Preference shares	100
Standard Chartered Global Trading Investments Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Investment Services Limited	Hong Kong	HKD10.00 Ordinary shares	100
Standard Chartered Leasing	Hong Kong	\$ Ordinary shares	100

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Group Limited			
Standard Chartered PF Real Estate (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
Standard Chartered Private Equity Limited	Hong Kong	HKD1.00 Ordinary shares	100
		HKD Ordinary shares	100
Standard Chartered Securities (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Sherwood (HK) Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Trade Support (HK) Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Trust (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
Union Town Limited	Hong Kong	HKD1.00 Ordinary shares	100
Scope International Private Limited ¹	India	INR10.00 Equity shares	100
St Helen's Nominees India Private Limited ¹	India	INR10.00 Equity shares	99
Standard Chartered (India) Modeling and Analytics Centre Private Limited ¹	India	INR10.00 Ordinary shares	100
Standard Chartered Finance Limited ¹	India	INR10.00 Ordinary shares	98.7
Standard Chartered Investments and Loans (India) Limited ¹	India	INR10.00 Ordinary shares	100
Standard Chartered Private Equity Advisory (India) Private Limited	India	INR1,000.00 Ordinary shares	100
Standard Chartered Securities (India) Limited	India	INR10.00 Ordinary shares	100
PT Standard Chartered Securities Indonesia ¹	Indonesia	IDR100,000,000.00 Ordinary shares	99
PT. Price Solutions Indonesia	Indonesia	\$100.00 Ordinary shares	100
Standard Chartered Assurance Limited ¹	Isle of Man	\$1.00 Ordinary shares	100
		\$1.00 Redeemable Preference shares	100
Standard Chartered Insurance Limited ¹	Isle of Man	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Holdings Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 1 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 2 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 3 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 4 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 5 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 6 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 7 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 8 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 9 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 10 Limited	Ireland	\$1.00 Ordinary shares	85
Pembroke Aircraft Leasing 11 Limited	Ireland	\$1.00 Ordinary shares	85

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Pembroke Aircraft Leasing 12 Limited	Ireland	\$1.00 Ordinary shares	85
Standard Chartered Securities (Japan) Preparation Limited ¹	Japan	JPY50,000 Ordinary shares	100
SCB Nominees (CI) Limited ¹	Jersey	\$1.00 Ordinary shares	100
Standard Chartered Bank Kenya Limited	Kenya	KES5.00 Ordinary shares	74.3
		KES5.00 Preference shares	100
Standard Chartered Securities (Kenya) Limited	Kenya	KES10.00 Ordinary shares	100
Standard Chartered Financial Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Insurance Agency Limited	Kenya	KES100.00 Ordinary shares	100
Standard Chartered Investment Services Limited	Kenya	KES1.00 Ordinary shares	100
Standard Chartered Kenya Nominees Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Management Services Limited (in liquidation)	Kenya	KES20.00 Ordinary shares	100
Resolution Alliance Korea Ltd ¹	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Standard Chartered Bank Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Standard Chartered Securities Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Standard Chartered Metropolitan Holdings SAL	Lebanon	\$10.00 Ordinary A shares	100
Standard Chartered Financial Services (Luxembourg) S.A. (in liquidation) ¹	Luxembourg	€25.00 Ordinary shares	100
Amphissa Corporation Sdn Bhd ¹	Malaysia	RM1.00 Ordinary shares	100
Cartaban (Malaya) Nominees Sdn Berhad	Malaysia	RM10.00 Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Golden Maestro Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Marina Morganite Shipping Limited	Malaysia	\$ Ordinary shares	100
Marina Moss Shipping Limited	Malaysia	\$1.00 Ordinary shares	100
Marina Tanzanite Shipping Limited	Malaysia	\$ Ordinary shares	100
Popular Ambience Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Price Solutions Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Resolution Alliance Sdn Bhd ⁶	Malaysia	RM1.00 Ordinary shares	91
SCBMB Trustee Berhad	Malaysia	RM10.00 Ordinary shares	100
Scope International (M) Sdn Bhd ¹	Malaysia	RM1.00 Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Malaysia	RM0.10 Irredeemable Cumulative Preference shares	100
		RM1.00 Ordinary shares	100
Standard Chartered Saadiq Berhad	Malaysia	RM1.00 Ordinary shares	100
Marina Alysse Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Amandier Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Ambroisee Shipping	Marshall Islands	\$1.00 Ordinary shares	100

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Limited			
Marina Angelica Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Aquamarine Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Aventurine Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Buxus Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Celsie Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Citrine Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dahlia Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dittany Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dorado Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Jessamine Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Lilac Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Lolite Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Obsidian Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Pissenlet Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Poseidon Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Protea Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Quartz Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Remora Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Turquoise Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Zeus Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Marina Zircon Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Standard Chartered Bank (Mauritius) Limited ¹	Mauritius	\$10.00 Ordinary shares	100
Standard Chartered Financial Holdings ¹	Mauritius	\$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Mauritius	\$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited ¹	Mauritius	\$1.00 Ordinary shares	100
	Mauritius	\$ Redeemable Preference shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Mauritius	\$1.00 Ordinary shares	100
Subcontinental Equities Limited	Mauritius	\$1.00 Ordinary shares	100
Standard Chartered Bank Mozambique, S.A.	Mozambique	\$1.00 Ordinary shares	100
Standard Chartered Bank Nepal Limited ¹	Nepal	NPR100.00 Ordinary shares	75
Smart Application Investment B.V.	Netherlands	€45.00 Ordinary shares	100
Standard Chartered Holdings (Africa) B.V.	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V.	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings	Netherlands	€4.50 Ordinary A Shares	100

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
(International) B.V.		€4.50 Ordinary B Shares	100
		€4.50 Ordinary C Shares	100
		€4.50 Ordinary D Shares	100
		€4.50 Ordinary E Shares	100
		€4.50 Ordinary F Shares	100
		€4.50 Ordinary G Shares	100
Standard Chartered MB Holdings B.V.	Netherlands	€4.50 Ordinary shares	100
Cherroots Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Bank Nigeria Limited	Nigeria	NGN1.00 Irredeemable Non Cumulative Preference shares	100
	Nigeria	NGN1.00 Ordinary shares	100
	Nigeria	NGN1.00 Redeemable Preference shares	100
Standard Chartered Capital & Advisory Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Nominees (Nigeria) Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Bank (Pakistan) Limited ¹	Pakistan	PKR10.00 Ordinary shares	99.0
Standard Chartered Leasing Limited	Pakistan	PKR10.00 Ordinary shares	86.5
Standard Chartered Modaraba ⁷	Pakistan	PKR10.00 Modaraba Certificates	20
Standard Chartered Services of Pakistan (Private) Limited	Pakistan	PKR10.00 Ordinary shares	100
Banco Standard Chartered en Liquidacion (in liquidation) ¹	Peru	\$75.133 Ordinary shares	100
Assurance Solutions Insurance Agency Inc. ¹	Philippines	PHP1.00 Ordinary shares	100
Price Solutions Philippines, Inc.	Philippines	PHP1.00 Ordinary shares	100
Standard Chartered Nominees (Western Samoa) Limited	Samoa	\$1.00 Ordinary shares	100
Standard Chartered Capital (Saudi Arabia) ¹	Saudi Arabia	SAR10.00 Ordinary shares	100
Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SLL1.00 Ordinary shares	80.7
Marina Aquata Shipping Pte. Ltd.	Singapore	\$ Ordinary shares	100
Marina Aruana Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		\$ Ordinary shares	100
Marina Aster Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Cobia Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		\$ Ordinary shares	100
Marina Daffodil Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Fatmarini Shipping Pte. Ltd.	Singapore	\$ Ordinary shares	100
Marina Frabandari Shipping Pte. Ltd.	Singapore	\$ Ordinary shares	100
Marina Freesia Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Gerbera Shipping Pte. Ltd.	Singapore	\$ Ordinary shares	100
Marina Mars Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Mercury Shipping Pte.	Singapore	SGD Ordinary shares	100

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Ltd.			
Marina Opah Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		\$ Ordinary shares	100
Marina Partawati Shipping Pte. Ltd.	Singapore	\$ Ordinary shares	100
Marina Poise Shipping Pte. Ltd.	Singapore	\$ Ordinary shares	100
Price Solutions Singapore Pte. Ltd.	Singapore	SGD Ordinary shares	100
Prime Financial Holdings Limited ¹	Singapore	SGD Ordinary shares	100
		\$ Ordinary shares	100
Raffles Nominees (Pte.) Limited	Singapore	SGD Ordinary shares	100
SC2 Investments (Singapore) Private Limited	Singapore	SGD Ordinary shares	100
SCM Real Estate (Singapore) Private Limited	Singapore	SGD1.00 Ordinary shares	100
SCTS Capital Pte. Ltd	Singapore	SGD Ordinary shares	100
SCTS Management Pte. Ltd.	Singapore	SGD Ordinary shares	100
Standard Chartered (1996) Limited (in liquidation) ¹	Singapore	SGD Ordinary shares	100
Standard Chartered (2000) Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Bank (Singapore) Limited	Singapore	SGD Ordinary shares	100
		SGD Preference shares	100
Standard Chartered Holdings (Singapore) Private Limited ¹	Singapore	SGD Ordinary shares	100
Standard Chartered IL&FS Management (Singapore) Pte. Limited ¹	Singapore	\$1.00 Ordinary shares	50
Standard Chartered Investments (Singapore) Private Limited ¹	Singapore	\$ Ordinary shares	100
Standard Chartered Nominees (Singapore) Pte Ltd ¹	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered PF Managers Pte. Limited ¹	Singapore	\$1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) I Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) II Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) III Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) IV Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) V Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) VI Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) VII Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment	Singapore	SGD1.00 Ordinary shares	100

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
(Singapore) VIII Private Limited			
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Securities (Singapore) Pte. Limited	Singapore	SGD Ordinary shares	100
Standard Chartered Trust (Singapore) Limited ¹	Singapore	SGD Ordinary shares	100
CMB Nominees Proprietary Limited ¹	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)	South Africa	ZAR Ordinary shares	100
Standard Chartered Bank (Switzerland) S.A. (in liquidation) ¹	Switzerland	CHF1,000.00 Ordinary shares	100
		CHF100.00 Participation Capital shares	100
Kwang Hua Mocatta Ltd. (Taiwan) (In Liquidation)	Taiwan	TWD1,000.00 Ordinary shares	100
Standard Chartered Bank (Taiwan) Limited ¹	Taiwan	TWD10.00 Ordinary shares	100
Standard Chartered Life Insurance Agency Company	Taiwan	TWD10.00 Ordinary shares	100
Taiwan Standard Chartered Insurance Agency Company	Taiwan	TWD10.00 Ordinary shares	100
Standard Chartered Bank Tanzania Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
Standard Chartered Tanzania Nominees Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
Standard Chartered (Thai) Asset Management Co. Ltd	Thailand	THB100.00 Statutory shares	100
Standard Chartered (Thailand) Company Limited	Thailand	THB10.00 Ordinary shares	100
Standard Chartered Bank (Thai) Public Company Limited ¹	Thailand	THB10.00 Ordinary shares	99.9
Thai Exclusive Leasing Company Limited	Thailand	THB10.00 Ordinary shares	100
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi ¹	Turkey	TRL0.10 Ordinary shares	100
Standard Chartered Bank Uganda Limited	Uganda	UGS1,000.00 Ordinary shares	100
SC Studios, LLC ¹	United States	\$1.00 Membership Interest shares	100
StanChart Securities International, Inc. ¹	United States	\$0.01 Common shares	100
Standard Chartered Bank International (Americas) Limited ¹	United States	\$1.00 Ordinary shares	100
Standard Chartered Capital Management (Jersey), LLC ¹	United States	\$ Ordinary shares	100
Standard Chartered Holdings Inc.	United States	\$100.00 Common shares	100
Standard Chartered International (USA) Ltd. ¹	United States	\$100.00 Ordinary shares	100
Standard Chartered Overseas Investment, Inc.	United States	\$10.00 Ordinary shares	100
Standard Chartered Securities (North America) Inc. ¹	United States	\$0.01 Ordinary shares	100
Standard Chartered Trade Services Corporation	United States	\$0.01 Common shares	100
Standard Chartered Uruguay Representacion S.A. (In	Uruguay	UYU1.00 Ordinary shares	100

Standard Chartered Bank

Notes to the financial statements continued

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Liquidation) ¹			
Standard Chartered Bank (Vietnam) Limited ¹	Vietnam	VND Charter Capital shares	100
California Rose Limited ¹	Virgin Islands, British	\$1.00 Ordinary shares	90.5
Earrest Range Limited ¹	Virgin Islands, British	\$1.00 Ordinary shares	90.5
New Group Investments Limited	Virgin Islands, British	\$1.00 Ordinary shares	100
Sky Favour Investments Limited	Virgin Islands, British	\$1.00 Ordinary shares	100
Sky Harmony Holdings Limited	Virgin Islands, British	\$1.00 Ordinary shares	100
Standard Chartered Bank Zambia Plc	Zambia	ZMW0.25 Ordinary shares	90
Standard Chartered Zambia Nominees Limited	Zambia	ZMK2.00 Ordinary shares	100
Standard Chartered Zambia Securities Services Nominees Limited ¹	Zambia	ZMK1.00 Ordinary shares	100
Standard Chartered Asset Management Limited	Zimbabwe	\$0.001 Ordinary shares	100
Standard Chartered Bank Zimbabwe Limited ¹	Zimbabwe	\$1.00 Ordinary shares	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Zimbabwe	\$2.00 Ordinary shares	100

Associates

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
China Bohai Bank Co., Ltd ^{1,8}	China	CNY Ordinary shares	19.99
FAI Limited	Mauritius	\$1.00 Ordinary shares	25
Seychelles International Mercantile Banking Corporation Limited	Seychelles	SCR1,000.00 Ordinary shares	22
Clifford Capital Pte. Ltd ^{1,9}	Singapore	\$ Ordinary shares	9.9
MCashback Limited (in liquidation)	United Kingdom	£0.01 Ordinary shares	31.7
Asia Commercial Bank ^{1,8}	Vietnam	VND10,000.00 Ordinary shares	15

Joint ventures

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
PT Bank Permata Tbk ^{1,10}	Indonesia	IDR125.00 B shares	44.6

Significant investment holdings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Abacus Eight Limited	Cayman Islands	A shares	24.5
Abacus Nine Limited	Cayman Islands	A shares	24.5
Abacus Seven Limited	Cayman Islands	A shares	24.5
Abacus Ten Limited	Cayman Islands	A shares	31.2
Asia Trading Holdings Limited	Cayman Islands	\$0.01 Ordinary shares	50
ATSC Cayman Holdco Limited	Cayman Islands	\$0.01 A Ordinary shares	5.3
		\$0.01 B Ordinary shares	100

Standard Chartered Bank

Notes to the financial statements continued

Significant investment holdings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Etonkids Educational Group Limited	Cayman Islands	\$0.001 Series A Preferred shares	100
Greathorse Chemical Limited	Cayman Islands	KYD1.00 Ordinary shares	27.7
Standard Chartered IL&FS Asia Infrastructure (Cayman) Limited	Cayman Islands	\$0.01 Ordinary shares	50
Standard Chartered IL&FS Asia Infrastructure Growth Fund Company Ltd.	Cayman Islands	\$1.00 Ordinary shares	50
Standard Chartered IL&FS Asia Infrastructure Growth Fund LP	Cayman Islands	Partnership interest	38.6
Guangdong Aiyongdao Children Departmental Store Co. Ltd	China	CNY1.00 Common shares	20.2
Jin Li Realty (Shanghai) Co., Ltd.	China	Registered Capital	45
Ningbo Xingxin Real Estate Development Co.,Ltd*	China	Registered Capital	36
Shu Li Realty (Shanghai) Limited	China	Registered Capital	45
Yunnan Golden Shiner Property Development Co., Ltd.	China	Registered Capital	50
Fast Great Investment Limited	Hong Kong	HKD1.00 Ordinary shares	28
Origin Direct Asia Limited	Hong Kong	HKD1.00 Ordinary shares	32
Joyville Shapoorji Housing Private Limited	India	INR10.00 Common Equity Shares	25.8
Mahindra Homes Private Limited	India	INR10.00 A Ordinary shares	50
Privi Organics Limited	India	INR10.00 B Ordinary shares	100
		INR10.00 Compulsorily Convertible Preference Shares	100
		INR10.00 Ordinary shares	24.1
Omni Centre Pte. Ltd.	Indonesia	\$ Redeemable Convertible Preference shares	100
PT Travira Air	Indonesia	IDR1.00 Ordinary shares	30
Al-Jazeera Agricultural Company PSC	Jordan	JOD 1.00 Ordinary shares	33.1
Daiyang Metal Company Ltd	Korea, Republic of	KRW 500 Common shares	23.1
		Convertible Preference shares	100
Fountain Valley PFV Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	47.3
Kolon Water	Korea, Republic of	KRW5,000 Ordinary shares	35
		KRW5,000 Redeemable Convertible Preference shares	100
Kolon Water & Energy	Korea, Republic of	KRW5,000 Ordinary Shares	35.0
		KRW5,000 Redeemable Convertible Preference shares	100
Samyang Packaging	Korea, Republic of	KRW5,000.00 Ordinary shares	22.0
Smoothie King Korea Inc	Korea, Republic of	KRW5,000 Ordinary shares	20.3
Standard Chartered Private Equity Korea III	Korea, Republic of	KRW1,000,000.00 Ordinary shares	31.0
West Point PFV Co., Ltd.	Korea, Republic of	KRW50,000.00 Common shares	50
House Network Sdn Bhd ¹	Malaysia	RM1.00 Ordinary shares	25
Origin Fruit Direct B.V.	Netherlands	€2.27 Ordinary shares	32.0
GZ Industries Limited	Nigeria	NGN1.00 Ordinary shares	37.0

Standard Chartered Bank

Notes to the financial statements continued

Significant investment holdings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Crystal Jade Group Holdings Pte Ltd	Singapore	\$1.00 Ordinary shares	42.3
Interplex Holdings Ltd	Singapore	SGD Ordinary shares	29.7
MMI Technoventures Pte Ltd	Singapore	SGD Ordinary shares	50
Polaris Limited	Singapore	SGD Ordinary shares	25.8
Standard Chartered IL&FS Asia Infrastructure Growth Fund Company Pte. Limited	Singapore	\$1.00 Ordinary shares	50
Afrifresh Group (Proprietary) Limited	South Africa	ZAR1.00 Ordinary shares	45.1
Loc Troi Group Joint Stock Company	Vietnam	VND10,000.00 Ordinary shares	34.4

1. Directly held by parent company of the Group
2. These entities have the same registered address of 1 Basinghall Avenue, London, EC2V 5DD United Kingdom. These partnerships are included within the consolidated financial statements in accordance with Note 1(h). Consequently, they have taken advantage of the exemption within the Partnerships (Accounts) Regulations 2008 (regulation 7) from filing annual financial statements
3. These entities have the same registered address of 1 Basinghall Avenue, London, EC2V 5DD United Kingdom. These partnerships are not included within the consolidated financial statements because The Group indirectly controls the General Partners, but its management role is limited to defined administrative functions over which it has no discretion. Copies of the latest financial statements will be filed with Companies House
4. No share capital by virtue of being a trust
5. Not consolidated because the Group does not actively manage the funds and activities are limited to finding funds to market. As the entity does not invest on its own account the Group gets no benefit and suffers no risk from the investments
6. Not consolidated because the Group does not control the entity by virtue of the Shareholder agreement with Orix Leasing Malaysia Bhd
7. Included within the consolidated financial statements in accordance with Note 1(h) as the Group also has 100 percent control of the managing entity, Standard Chartered Services of Pakistan (Private) Limited
8. Both are considered to be associates as described in Note 23
9. Accounted for as an associate because the Group has significant influence over the management and their financial and operational policies through our representation on their board
10. Joint management is based on significant influence over the management and their financial and operational policies derived from the joint venture agreements

Standard Chartered Bank

Glossary

Additional Value Adjustment	See "Prudential valuation adjustment"
Additional Tier 1 Capital	Additional Tier 1 Capital consists of Instruments issued by the bank and related share premium that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in Common Equity Tier 1/(CET1), and regulatory adjustments required in the calculation of AT1 Capital.
Advanced Internal Rating Based (AIRB) approach	The AIRB approach under the Basel II framework is used to calculate credit risk capital based on the Group's own estimates of certain parameters.
Advances-to-deposits ratio	The ratio of total loans and advances to customers relative to total customer deposits. A low advances-to-deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
Asset Backed Securities (ABS)	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Debt Obligations (CDOs) , the reference pool may be ABS.
ASEAN	Association of South East Asian Nations (ASEAN) which includes the Group's operation in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
Attributable profit to ordinary shareholders	Profit for the year after non-controlling interests and the declaration of dividends on preference shares classified as equity.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
Basel III	In December 2010, the BCBS issued the Basel III rules text, which were updated in June 2011, and represents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. The new requirements will be phased in and fully implemented by 1 January 2019.
Basis point (bps)	One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent. Used in quoting movements in interest rates or yields on securities.
BIPRU	The PRA's Prudential Sourcebook for Banks, Building Societies and Investment Firms.
CAD2	An amendment to Capital Adequacy Directive that gives national regulators the discretion to permit firms to use their own value at risk model for calculating capital requirements subject to certain criteria.
Capital resources	Sum of Tier 1 and Tier 2 capital after regulatory adjustments.
Claw-back	Remuneration already paid to an individual, which has to be returned to the Group under certain circumstances.
Client due diligence (CDD)	CDD is an important part of the Group's management of financial crime, reputational and regulatory risk. CDD enables us to understand our clients and their activities so that financial crime risks are identified and mitigated. CDD is performed at the point of onboarding the client and on an ongoing basis. As a general rule, no products or services can be provided to a client until CDD has been completed.
Collateralised Debt Obligations (CDOs)	Securities issued by a third party which reference ABS and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.
Collectively assessed loan impairment provisions	Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified at the balance sheet date. Typically Retail clients are assessed on a portfolio basis.
Commercial Mortgage Backed Securities (CMBS)	Securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Commercial Paper (CP)	An unsecured promissory note issued to finance short-term credit needs. It specifies the face amount paid to investors on the maturity date.
Commercial real estate	Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.
Common Equity Tier 1 capital	Common Equity Tier 1 capital consists of the common shares issued by the bank and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.
Constant currency	Constant currency change is derived by applying a simple translation of the previous period functional currency number in each entity using the current average and period end US dollar exchange rates to the income statement and balance sheet respectively.

Standard Chartered Bank

Glossary continued

Contractual maturity	Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.
Core Tier 1 Capital	Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus non-controlling interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the UK's PRA.
Core Tier 1 Capital ratio	Core Tier 1 capital as a percentage of risk weighted assets.
Cost to income ratio	Represents the proportion of total operating expenses to total operating income.
Countercyclical capital buffer	Regulatory Capital of up to 2.5 per cent of risk-weighted assets that is required to be held under Basel III rules to ensure that banks build up surplus capital when macroeconomic conditions indicate excess credit growth.
Counterparty credit risk	The risk that defaults before satisfying its obligations under a contract.
Cover ratio	Represents the extent to which non-performing loans are covered by impairment allowances .
CRD IV	Represents the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) that implement the Basel III proposals in Europe.
Credit Conversion Factor	Either prescribed by BIPRU or modelled by the bank, an estimate of the amount the Group expects a customer to have down further on a facility limit at the point of default.
Credit Default Swaps (CDSs)	A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.
Credit institutions	An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.
Credit risk mitigation (CRM)	Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees.
Credit valuation adjustments (CVA)	An adjustment to fair value primarily in respect of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the transactions.
Customer deposits	Money deposited by all individuals and companies which are not credit institutions including securities sold under Repo . Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.
Debt restructuring	This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.
Debt securities	Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.
Debt securities in issue	Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.
Deferred tax asset	Income taxes recoverable in future periods in respect of deductible temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods, the carry-forward of tax losses and the carry-forward of unused tax credits.
Deferred tax liability	Income taxes payable in future periods in respect of taxable temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods.
Defined benefit obligation	The present value of expected future payments required to settle the obligations of a defined benefit scheme resulting from employee service.
Defined benefit scheme	Pension or other post-retirement benefit scheme other than a defined contribution scheme.
Defined contribution scheme	Pension or other post-retirement benefit scheme where the employer's obligation is limited to its contributions to the fund.
Delinquency	A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.
Deposits by banks	Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under Repo .
Dividend per share	Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.

Standard Chartered Bank

Glossary continued

Effective tax rate (ETR)	The tax on profits on ordinary activities as a percentage of profit on ordinary activities before taxation.
Encumbered assets	On-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities.
Eurozone	Represents the 17 European Union countries that have adopted the euro as their common currency. The 17 countries are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.
Expected loss (EL)	The Group measure of anticipated loss for exposures captured under an internal ratings based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on Probability of Default (PD) , Loss Given Default (LGD) and Exposure at Default (EAD) , with a one-year time horizon.
Exposures	Credit exposures represent the amount lent to a customer, together with an undrawn commitments.
Exposure at default (EAD)	The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.
External Credit Assessment Institutions (ECAI)	For the Standardised Approach to credit risk for sovereigns, corporates and institutions, external ratings are used to assign risk-weights. These external ratings must come from PRA approved rating agencies, known as External Credit Assessment Institutions (ECAI) ; namely Moody's, Standard & Poor's and Fitch.
Financial Conduct Authority (FCA)	The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.
Forbearance	Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial liabilities.
Free Deliveries	A transaction in which securities, foreign currencies or commodities have been paid for before receiving them or where securities, foreign currencies or commodities have been delivered before receiving payment for them.
Free funds	Free funds include equity capital, retained reserves, current year unremitted profits and capital injections net of proposed dividends. It does not include debt capital instruments, unrealised profits or losses or any non-cash items.
Funded/unfunded exposures	Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where there is a commitment to provide future funding is made but funds have been released / not released.
High Quality Liquid Assets (HQLA)	Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible. These include, for example, cash and claims on central governments and central banks. The Basel 3 Rules require this ratio to be at least 100% and it's expected to apply from 2015.
Impaired loans	Loans where individual identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.
Impairment allowances	Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).
Individually assessed loan impairment provisions	Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group. Typically assets within the Corporate and Institutional client segment of the Group are assessed individually.
Innovative Tier 1 Capital	Innovative Tier 1 capital consists of instruments which incorporate certain features, the effect of which is to weaken (but only marginally) the key characteristics of Tier 1 capital (that is, fully subordinated, perpetual and non-cumulative). Innovative Tier 1 capital is subject to a limit of 15 per cent of total Tier 1 capital .
Interest rate risk (IRR)	Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements.
Internal Ratings Based (IRB) approach	The IRB approach is used to calculate risk weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.
Internal Model Approach (IMA)	The approach used to calculate market risk capital and RWA with an internal market risk model approved by the PRA under the terms of CRD IV/CRR . Formerly referred to as CAD2.
Investment grade	A debt security , treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.
Leverage ratio	A ratio introduced under CRD IV that compares Tier 1 capital to total exposures, including certain exposures held off balance sheet as adjusted by stipulated credit conversion factors . Intended to be a simple, non-risk based backstop measure.

Standard Chartered Bank

Glossary continued

Leveraged finance	Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt: EBITDA (earnings before interest tax, depreciation and amortisation)) typically arising from private equity sponsor led acquisitions of the businesses concerned.
Liquid asset buffer	These assets include high quality government or central bank securities, certain deposits with central banks and securities issued by designated multilateral development banks to meet the PRA's requirement for liquidity.
Liquid asset ratio	Ratio of total liquid assets to total assets. Liquid assets comprise cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.
Liquidation portfolio	A portfolio of assets which is beyond our current risk tolerance metrics and is held for liquidation.
Liquidity and credit enhancements	Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing commercial paper .
Liquidity coverage ratio (LCR)	A short-term liquidity measure that considers a 30 day period of liquidity stress
Loans and advances	This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a home loan.
Loans to banks	Amounts loaned to credit institutions including securities bought under Reverse repo .
Loans to individuals	Money loaned to individuals rather than institutions. The loans may be for car or home purchases, medical care, home repair, holidays, and other consumer uses.
Loan-to-value ratio	The loan-to-value ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.
Loans past due	Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.
Loss given default (LGD)	LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.
Malus	An arrangement that permits the Group to prevent vesting of all, or part of the amount of a deferred remuneration award in relation to risk outcomes or performance.
Master netting agreement	An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.
Mezzanine capital	Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.
Minimum requirement for own funds and eligible liabilities (MREL)	A requirement under the Bank Recovery and Resolution Directive for EU resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks. Similar to TLAC, MREL is intended to ensure there is sufficient equity and specific types of liabilities within the bank that can absorb losses and recapitalise the bank, facilitating an orderly resolution that minimises any impact on financial stability, ensures the continuity of critical functions, and avoids exposing taxpayers to loss.
Net asset value per share	Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net exposure	The aggregate of loans and advances to customers/loans and advances to banks after impairment provisions, restricted balances with central banks, derivatives (net of master netting agreements), investment debt and equity securities, and letters of credit and guarantees.
Net interest income	The difference between interest received on assets and interest paid on liabilities.
Net interest margin	The margin is expressed as net interest income divided by average interest earning assets.
Net Stable Funding Ratio (NSFR)	The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. It is a longer term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one year time horizon

Standard Chartered Bank

Glossary continued

Non-performing loans	A non performing loan is any loan that is more than 90 days past due or is otherwise individually impaired, other than a loan which is: – renegotiated before 90 days past due, and on which no default in interest payments or loss of principal is expected; or – renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.
Normalised earnings	Profit attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.
Over the counter (OTC) derivatives	A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.
Private equity investments	Equity securities in operating companies <i>generally</i> not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.
Probability of default (PD)	PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.
Profit attributable to ordinary shareholders	Profit for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.
Prudent Valuation Adjustment	A deduction from common equity tier 1 capital, to reflect the difference between fair value and prudent value positions, where the application of prudent results in a lower absolute carrying value than recognised in the financial statements.
Prudential Regulation Authority (PRA)	The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a subsidiary of the Bank of England.
Renegotiated loans	Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. Such assets will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset and are defined as forbore loans. In other cases, renegotiation may lead to a new agreement, which would be treated as a new loan.
Repo/Reverse repo	A repurchase agreement or repo is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.
Residential mortgage	A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a Home loan.
Residential Mortgage Backed Securities (RMBS)	Securities that represent interests in a group of residential mortgages . Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Return on equity	Represents the ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders equity for the reporting period.
Risk weighted assets (RWA)	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.
Risks-not-in-VaR (RNIV)	A framework for identifying and quantifying marginal types of market risk that are not captured in the Value at Risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.
Secured (fully and partially)	A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.
Securitisation	Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to a special purpose entity (SPE) who then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.

Standard Chartered Bank

Glossary continued

Senior debt	Senior debt, frequently issued in the form of senior notes, is debt that takes priority over other unsecured or otherwise more "junior" debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure after subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.
Significant holdings in undertakings other than subsidiaries, joint ventures or associates	Significant holdings in undertakings other than subsidiaries, joint ventures or associates are investments where the Group's shareholding is greater than or equal to 20 per cent of the nominal value of any class of shares, or a book value greater than 20 per cent of the company's assets.
Sovereign exposures	Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned. Sovereign exposures as defined by the European Banking Authority includes only exposures to central governments.
Standardised approach	In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Stressed value at risk	A regulatory market risk measure based on potential market movements for a continuous one-year period of stress for a trading portfolio.
Structured finance /notes	A structured note is an investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.
Sub-prime	Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.
Tier 1 capital	Tier 1 capital comprises Core Tier 1 capital plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions.
Tier 1 capital ratio	Tier 1 capital as a percentage of risk weighted assets.
Tier 2 capital	Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.
Total Loss Absorbing Capacity (TLAC)	A standard set by the Financial Stability Board to ensure global systemically important institutions to have a sufficient amount of specific types of liabilities which can be used to absorb losses and recapitalise a bank in resolution. These proposals are intended to facilitate an orderly resolution that minimises any impact on financial stability, ensures the continuity of critical functions, and avoids exposing taxpayers to loss.
UK bank levy	A levy that applies to certain UK banks and the UK operations of foreign banks from 1 January 2011. The levy is payable each year based on a percentage of the chargeable liabilities of the Group as at 31 December.
Value at Risk (VaR)	Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.
Write downs	After an advance has been identified as impaired and is subject to an impairment allowance , the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write downs will occur when and to the extent that, the whole or part of a debt is considered irrecoverable.