Standard Chartered
Here for good

Driving investment, trade and the creation of wealth across Asia, Africa and the Middle East

Standard Chartered PLC – Financial highlights

For the six months ended 30 June 2014

Reported results

Profit before tax[1]

$3,268m

H1 2013: $4,088m / H2 2013: $2,870m

Profit attributable to ordinary shareholders[2]

$2,310m

H1 2013: $2,131m / H2 2013: $1,858m

Operating income excluding own credit adjustment

$9,269m

H1 2013: $9,751m / H2 2013: $8,920m

Loans and advances to customers

$305bn

H1 2013: $292bn / H2 2013: $296bn

Customer deposits

$391bn

H1 2013: $381bn / H2 2013: $391bn

Performance metrics[3]

Normalised earnings per share

96.5 cents

H1 2013: 121.9 cents / H2 2013: 82.4 cents

Normalised return on ordinary shareholders' equity

10.4%

H1 2013: 13.3% / H2 2013: 9.1%

Interim dividend per share

28.80 cents

H1 2013: 28.80 cents / H2 2013: 57.20 cents

Significant highlights

- We are taking action to address near term performance challenges, to embed our refreshed strategy and aspirations, including reorganising the bank, refocusing marketing and sales efforts, divesting non-core businesses and optimising risk weighted assets
- We continue to build market share across our core products. Volumes in Foreign Exchange are up 24 per cent and up 45 per cent in FX options
- We have strengthened our position as the leading transaction bank for corporates in Asia and rank #2 in trade finance globally. We are also ranked #2 underwriter of offshore Renminbi bonds
- We have maintained a tight discipline on costs, which are up only 1 per cent despite inflation, continued investment and increasing costs of regulation
- The balance sheet remains in excellent shape – diversified, well capitalised and highly liquid – and loan impairment is in line with our expectations

Capital and liquidity metrics

Total capital ratio

17.3% (CRD IV)

H1 2013: 16.9% (Basel II) / H2 2013: 17.0% (CRD IV)

Common Equity Tier 1 (CET1) ratio

10.5% (CRD IV)

H1 2013: 11.4% (Core Tier 1 ratio – Basel II) / H2 2013: 10.9% (CET1 ratio – CRD IV)

CET1 ratio (end point basis)[4]

10.7% (CRD IV)

Tangible net asset value per share

1,646.8 cents

H1 2013: 1,537.9 cents / H2 2013: 1,597.5 cents

Advances-to-deposits ratio

78.1%

H1 2013: 76.6% / H2 2013: 75.7%

Liquid asset ratio

30.5%

H1 2013: 28.3% / H2 2013: 29.8%

1 All three periods profit before tax excludes own credit adjustment; H1 2013 profit before tax also excludes goodwill impairment

2 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 10 on page 114)

3 Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items set out in note 11 on page 115

4 See additional information on Capital page 85

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

Within this document, the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'; The Republic of Korea is referred to as Korea or South Korea; Greater China includes Hong Kong, Taiwan, China and Macau; North East (NE) Asia includes Korea, Japan and Mongolia; Middle East, North Africa and Pakistan (MENAP) includes United Arab Emirates (UAE), Bahrain, Qatar, Lebanon, Jordan, Saudi Arabia, Egypt, Oman, Iraq and Pakistan; South Asia includes India, Bangladesh, Nepal and Sri Lanka; and ASEAN includes Singapore, Malaysia, Indonesia, Brunei, Cambodia, Laos, Philippines, Thailand, Vietnam, Myanmar and Australia.

Standard Chartered PLC

For the six months ended 30 June 2014

Summary of results

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Results			
Operating income (excludes own credit adjustment)[1]	**9,269**	9,751	8,920
Impairment losses on loans and advances and other credit risk provisions	**(846)**	(730)	(887)
Goodwill impairment	**–**	(1,000)	–
Other impairment	**(185)**	(11)	(118)
Profit before goodwill impairment and own credit adjustment	**3,268**	4,088	2,870
Profit before taxation	**3,253**	3,325	2,739
Profit attributable to parent company shareholders	**2,360**	2,181	1,909
Profit attributable to ordinary shareholders[2]	**2,310**	2,131	1,858
Balance sheet			
Total assets	**690,138**	649,957	674,380
Total equity	**48,562**	45,358	46,841
Total capital base (CRD IV)	**60,691**	–	56,369
Total capital base (Basel II)	**–**	54,650	–
Information per ordinary share	**Cents**	Cents	Cents
Earnings per share – normalised[3]	**96.5**	121.9	82.4
– basic	**94.6**	88.1	76.5
Dividend per share[4]	**28.80**	28.80	57.20
Net asset value per share	**1,909.9**	1,814.7	1,872.8
Tangible net asset value per share	**1,646.8**	1,537.9	1,597.5
Ratios			
Return on ordinary shareholders' equity – normalised basis[3]	**10.4%**	13.3%	9.1%
Cost to income ratio – normalised basis[3]	**54.7%**	51.4%	57.6%
Capital ratios[5]			
Common Equity Tier 1 (CRD IV)	**10.5%**	–	10.9%
Common Equity Tier 1 (CRD IV) end point basis (see page 85)	**10.7%**	–	–
Core Tier 1 capital (Basel II)	**–**	11.4%	–
Total capital (CRD IV)	**17.3%**	–	17.0%
Total capital (Basel II)	**–**	16.9%	–

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1 Excludes own credit adjustment of $(15) million (30 June 2013: $237 million and 31 December 2013: $(131) million)
2 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 10 on page 114)
3 Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 11 on page 115
4 Represents the interim dividend per share declared for the six months ended 30 June 2014 and 30 June 2013 and the recommended final dividend per share for the six months ended 31 December 2013 (subsequently declared at the Annual General Meeting on 8 May 2014 and recognised in these financial statements)
5 See additional information on Capital on pages 83-93

Profit before taxation, goodwill and own credit adjustment

-20%

$3.3 billion

Interim dividend

28.80 cents

"We continue to see strong opportunities for the business in the longer term. And, with a strong balance sheet, we will continue to support the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East."

Whilst the longer-term opportunities for Standard Chartered remain compelling, the first six months of 2014 have been challenging:

- Income excluding own credit adjustment down 5 per cent to $9.3 billion
- Profit before taxation, goodwill and own credit adjustment was down 20 per cent to $3.3 billion
- Normalised earnings per share were down 21 per cent to 96.5 cents

The Board has declared an interim dividend of 28.80 cents per share.

The Group's performance has continued to be affected by difficult market conditions, including the cyclical downturn in sentiment towards emerging markets. In addition, there have been some issues specific to Standard Chartered, such as the problems in Korea.

However, we continue to see strong opportunities for the business in the longer term. And with a strong balance sheet, we will continue to support the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East.

Since announcing our refreshed strategy earlier this year, and implementing the new organisation on 1 April 2014, we have moved quickly to dispose of non-core businesses and reduce costs, whilst at the same time taking further steps to de-risk the business.

The intensity of regulatory pressure and political risk, at a time of market weakness, is putting huge pressure on bank boards and management leadership generally. However, we remain focused on implementing the refreshed strategy and are determined to return the Group to a growth trajectory which we believe will create significant value for our shareholders. The Board remains intensely focused on our shareholders' interests.

At the same time, our focus on conduct has intensified. We expect the right behaviour from every employee at all times, as being Here for good continues to sit at the heart of our business.

Sir John Peace
Chairman
6 August 2014

"We are taking action to get us back on the track of sustainable profitable growth, because that is how we have driven value creation for our shareholders in the past, and how we will do so in future."

Our performance in the first half of 2014 is clearly disappointing. It is not what we strive for and not what our investors expect. In March, we made clear that this first half would be tough, and we were even more specific in our pre-close trading statement in June. The reasons for our weaker performance should be equally clear: continued Financial Markets weakness, challenges in Korea as we reshape our business there, and an uptick in impairment, largely due to a commodity fraud exposure in China and write-offs relating to pre-crisis strategic investments. Evolving regulatory requirements continue to add upward pressure – and uncertainty – to costs, while structurally impacting the income and return profile of some products.

We are taking action to get us back on the track of sustainable, profitable growth, because that is how we have driven value creation for our shareholders in the past, and how we will do so in future. It is worth noting that, despite the disappointing first half of 2014, we delivered more profit for our shareholders during these six months than we did in the whole of 2006 at the peak of the pre-crisis banking boom. Not many banks can make that claim.

We have refreshed and sharpened our strategy, and are executing it at pace. Over the past six months, we have completely reorganised the Group to make us fitter, more flexible and better aligned to our strategic aspirations. We have shifted our resource allocation, disposing of several non-strategic businesses, managing costs and capital deployment very tightly, and stepping up investment in priority areas. We have reset our client segment strategies, revised our product priorities and rethought the way we are approaching critical infrastructure and platform decisions.

Some of these changes have helped near-term performance. Some, such as tightening risk-weighted asset (RWA) deployment, or de-risking unsecured business in our Retail client segment, have exacerbated near-term pressures. However, the overarching objective is clear: to get us back to sustainable, profitable growth, delivering returns above our cost of capital.

This does not mean that we are ignoring short-term performance, including the two biggest challenges in the first half of 2014 – Financial Markets and Korea.

Financial Markets

In the first half of 2014, we saw Financial Markets income fall 20 per cent, or $432 million, against a very strong first half in 2013, up 6 per cent on the first half of 2012. The pressures on Financial Markets are of course not peculiar to us. Every bank is facing challenges as a result of sweeping regulatory changes and a low-rate, low-volatility environment.

The question is how much of this reduction is structural, and thus irreversible, and how much is cyclical. The answers vary by bank, depending on product and client mix, on geography, and on the balance of client income versus own account.

Our business is heavily client-driven, so less reliant on own account income; more oriented towards corporate clients rather than financial institutions, so shorter-dated and less complex; and more 'vanilla' than highly structured. We are also much more concentrated on emerging markets than most of our major competitors. This means that we have been heavily affected by cyclical factors, less so by structural changes. Low rates and low volatility mean less corporate hedging, tighter spreads and more challenging conditions for market making. Negative sentiment towards emerging markets reduces activity and impacts inventory values.

Most of the income reduction was in Foreign Exchange (FX) and Rates. In FX, the largest component of Financial Markets income, we saw strong growth in volumes, with Cash FX notional up 24 per cent year-on-year and FX Option notional up 45 per cent. This is against a pretty flat market, so we are winning market share. However, low volatility meant spreads fell, as did the gains from market making, so income fell 24 per cent, or $199 million. FX remains very attractive: it generates strong returns and is an integral part of how we support our clients as they invest and trade.

In Rates, volumes fell by 22 per cent with persistently low interest rates making clients less keen to hedge. Margins also fell, so income fell by 33 per cent, or $181 million. Most of this is cyclical, a result of the interest rate environment. However, longer-tenor, more complex derivatives face more of a structural challenge, given the impact of margining and capital requirements for non-centrally cleared derivatives. We are not immune to these changes, and areas such as hedging for project finance have been hit quite hard, but most of our business comprises relatively short-dated hedging for corporate clients off the back of trade or other commercial finance. According to Asia Risk Rankings, we are number one in corporate derivatives in Asia.

Our response to the challenges we face in Financial Markets reflect the mix of cyclical and structural factors, and the fact that even with this depressed performance, Financial Markets still produces a return on capital above the average for the Group as a whole. Financial Markets costs are down. Productivity is up. We are shifting resources from the areas most affected by structural change towards the client-driven flow businesses that play to our strengths and that we are confident will bounce back.

Korea

Alongside Financial Markets, Korea was the other big challenge in the first half of 2014. Korea made a loss of $127 million, a $264 million decrease year-on-year. As we have said before, there is no 'silver bullet' in Korea. Turning this business around will take time and a lot of work on multiple fronts, not least because the industry as a whole faces huge challenges.

We are making progress. We have announced the sale of our consumer finance and savings bank businesses. This will have some negative impact on income, but the benefits in terms of costs, headcount, loan impairment and capital will more than offset this. We continue to take action on costs. Headcount is down around 9 per cent year-on-year. The branch network is down by 47 outlets, or 13 per cent year-on-year.

We continue to de-risk the balance sheet, tightening underwriting criteria for unsecured Retail lending and exiting third-party sales channels. As a result, our unsecured credit card and personal loan balances are down 10 per cent on a constant currency basis in the first half of 2014. While filings under Korea's Personal Debt Rehabilitation Scheme remain elevated, we have seen noticeably fewer filings from loans written in the last six months.

Our actions to reshape the business have had a negative impact on this year's performance. De-risking and withdrawal from direct sales has hit income. Costs in the first half include $32 million of Special Retirement Plan expenses. Performance in the first half of this year has also been hit by lower principal finance gains and generally weak trading conditions, particularly in Financial Markets.

We continue to build business with Korean companies elsewhere in the network. This income, which is not included in our Korea numbers, amounted to about $100 million in the first half of 2014 and generates very attractive returns. With the recent announcement of renminbi (RMB) clearing and exchange in Seoul, we see a significant opportunity to leverage our distinctive capabilities in this arena. Just under 2 per cent of Korea's exports to China are currently settled in RMB and just under 1 per cent of imports. With China now settling more than 15 per cent of its global trade value in RMB, this is a considerable growth opportunity.

There is no quick fix for Korea, but we are making progress, and we are determined to get this business into better shape: more focused, more efficient and delivering better returns.

Opportunities in our markets

Financial Markets and Korea accounted for much of the profit shortfall in the first half of 2014. However, we remain confident in the strong growth of the opportunities across our markets and in our ability to make the most of them.

Our markets across Asia, Africa and the Middle East are continuing to grow rapidly, and demand for financial services is growing faster than GDP. To make the most of this opportunity we have set out five aspirations, and to make us more effective in delivering against these aspirations, we have reorganised the Group around our key client segments – Corporate & Institutional, Commercial & Private Banking and Retail. Although the new organisation has only been in effect for four months, it is making a difference in how we look at our business and how we serve our clients.

Corporate & Institutional Clients

The Corporate & Institutional segment generates around 60 per cent of total income. This is the core of what used to be called Wholesale Banking. In the first half of 2014, profits were down 17 per cent year-on-year, largely due to lower Financial Markets income as well as an increase in impairment.

In this segment, we are focused on building ever deeper relationships with our clients, concentrating on our core commercial banking capabilities and putting even greater emphasis on our strengths as a network bank, providing seamless support to our clients as they trade and invest across borders. Network income comprises over half of total client income.

Our market position remains very strong. We are a top two global trade bank as measured by SWIFT messages, and our market share is stable. According to East & Partners latest survey, we are not just number one in transaction banking relationships in Asia, but strengthening our lead. This is despite the actions we have taken to cut back on low-yielding RWA.

We have a very full agenda for this client segment, including deepening relationships, optimising return on capital and doing more with institutional investors. We are also working harder to leverage the relationships we have with these clients for the benefit of the Group as a whole: introducing owners and senior managers to our Private

Banking offering and providing employee banking solutions through our Retail segment.

Commercial & Private Banking Clients

The Commercial and Private Banking Clients segment group has only existed since April 2014.

Commercial Clients combines the smallest, or middle-market, clients from our old Wholesale Banking business with the Medium Enterprise clients from our old SME business. There are about 50,000 clients in total with 90 per cent of the income from the top nine markets. This new segment has started life with a sharp drop in profit, down 61 per cent or $261 million. About 40 per cent of this is due to lower principal finance income. We had profitable realisations in the first half of 2013, valuation losses in the first half of 2014. Another 20 per cent is due to lower Financial Markets income, and higher loan impairment, mainly in Hong Kong and Korea, accounted for around another 20 per cent.

Despite this somewhat difficult start, we are enormously excited about the potential for the Commercial Client segment. Mid-sized companies play a huge role in the economies in which we operate, and represent a significant portion of the total banking wallet. However, we have never given this segment the focus it deserves. Our immediate priority is to bring together the teams, rationalising and standardising processes, such as credit and client due diligence. We are refining the product offering and delivery model and working together with the Corporate & Institutional segment to develop supply chain solutions that turn us from being a provider of finance to being a business partner that enhances supply chains, efficiency and resilience.

Our commercial clients are largely family-owned businesses, and the families are a perfect fit for Private Banking. However, many, perhaps most, are not aware that it exists. So we are making introductions, doing joint meetings, showing clients how we can support them. To put this in context, we believe the private banking wallet of our existing Commercial Client base is about four times the size of our current Private Banking business. While relatively small in the scheme of the Group as a whole, Private Banking will become an increasingly important source of growth. With assets under management up 13 per cent year-on-year, net new money up 15 per cent, and income up 4 per cent, despite exiting subscale presences in Miami, Geneva, and Korea, Private Banking has good momentum.

Retail Clients

On a global basis, income from Retail is down 2 per cent and profits down 9 per cent. Excluding Korea, income is up 1 per cent and profits are up 12 per cent. In a number of key markets, Retail is doing well. For example, in Hong Kong income is up 10 per cent and profits up 16 per cent, in Singapore income is up 3 per cent and profits up 57 per cent, and in Africa income is up 14 per cent and profits up 42 per cent.

We are assertively re-shaping this business:

- Tackling Korea
- Redeploying resources towards the high-value segments
- Accelerating the shift from product sales to relationship management
- Disposing of subscale and non-strategic franchises
- Refocusing the product offering
- Standardising platforms and processes
- Reshaping the branch network as we increasingly engage with our clients via digital channels

We are transforming Retail to be more relationship-driven, more selective, more efficient and more digital. This is a big, multi-year project, and in the near term, some of things we are doing – de-risking, disposals, exiting direct sales – will impact income momentum, but we know where we want to get to and we are making real progress.

Building relationships with our clients

Our client segment strategies are the primary drivers of our overall strategy. We are focused on who our clients are, what they need, and how we can be distinctive in meeting those needs.

Underpinning this is a huge amount of work on products and infrastructure. There is a lot going on in Transaction Banking, particularly around the internationalisation of the RMB, in Wealth Management, particularly in Bancassurance, in Corporate Finance where we are seeing a good pipeline of deals, and in Retail Products, where digitisation is the overriding theme.

We are also revamping our infrastructure, rolling out standardised platforms and processes, automating manual procedures, reinforcing controls, deploying tools to enable us to extract more value from the vast amounts of information we generate and capture every day. Through technology-driven innovation, we can empower our clients, achieve significant improvements in efficiency and run our business with greater insight, flexibility and control.

All this comes together in an overarching roadmap, essentially the execution plan to deliver the strategy. Three themes from this roadmap are worth highlighting.

Investing for growth

The first theme is investment. We recognise that to create the capacity to invest for growth, we have to be relentless in driving cost productivity and capital productivity.

On the cost front the challenge is clear. People account for almost 70 per cent of our costs, and wage inflation is running at 4 to 5 per cent across our markets, so that alone drives at least a 3 per cent increase in total costs. Regulatory-related costs continue to increase at pace and we think it is safe to assume that regulation will add 1 to 2 per cent to total costs every year. Add in some non-wage inflation – particularly true of premises costs given real estate price trends in our markets – and there is an underlying cost dynamic of at least 5 per cent per year, before taking account of current year business growth, let alone investment for future growth.

We must therefore achieve a continuous stream of sustainable productivity improvements to offset these cost headwinds. This is not about short-term squeezes, cutting back marketing, or freezing hiring, since this kind of cost reduction cannot be sustained. This is about disposing or shrinking underperforming businesses, cutting out complexity and duplication, automating everything we can automate and rolling out scalable platforms and processes. It is what we have been doing – costs only increased by 1 per cent last year, and only increased by 1 per cent in the first half of 2014 versus the same period of 2013, but given the pressures we are facing, we are redoubling our focus on costs and productivity.

We are not abandoning growth. Delivering sustainable and profitable growth is how we will drive shareholder value, but to deliver that growth requires investment and creating capacity for that investment requires a relentless focus on productivity improvement.

The logic is absolutely the same on capital. By managing the underlying business to be capital accretive we create the capacity to absorb regulatory add-ons and fund growth. Excluding two one-off regulatory adjustments to our Basel III Common Equity Tier 1 calculations, the Group was capital accretive in the first half of 2014, adding some 20 basis points in the period.

Conduct

We are committing very significant resources to raising the bar on conduct – new people and capabilities, new systems and extensive training. We see this as an integral part of our strategy, a key component of what it means to be Here for good.

We recognise that this is no easy task. There are multiple dimensions to conduct – from protecting clients' data to maintaining market integrity and preventing financial crime. All are important, but they are very different. Some are about making sure we do the right thing for our clients, and some about playing our role in protecting the integrity of the financial system by ensuring our clients do the right thing. And raising the bar on conduct only works if it is embraced by everyone in the Group. One person who doesn't act responsibly can undo the work of thousands who do.

Consistent and effective execution is vital, and we acknowledge that sometimes we have failed to meet our own and others' expectations. Getting to where we want to be is a multi-year project requiring sustained investment and focus. That is why we are implementing a comprehensive programme of change. Specifically, in financial crime compliance we have added senior expertise and doubled overall headcount. We have established a Board-level Financial Crime Risk Oversight Committee, and are executing a far-reaching Financial Crime Risk Mitigation Programme. We have embedded consideration of financial crime risks into our strategic decision-making and, as a result, are undertaking extensive de-risking actions across the business.

Internationalisation of the renminbi

Finally, the third theme is the internationalisation of the RMB, one of the biggest changes taking place in the way the global financial system works. This is the mechanism by which China, which will become the world's largest economy, will ultimately link its financial system to global markets. It is happening at an extraordinary pace and Standard Chartered is superbly placed to facilitate and benefit from this process, so across all our segments and product groups we are taking advantage of this massive shift in the way money flows around the world.

Outlook

2014 will be challenging. We are taking action on multiple fronts, both in response to near-term pressures and to execute the refreshed strategy we have set out. In the first half, for example, we have completely reorganised the Group, made a number of disposals, re-worked our segment strategies, and redirected capital and investment spend. Some of the things we have done have exacerbated the immediate performance challenge, but they are the right thing to do in reshaping the business for sustainable growth.

Our objective is getting back to a trajectory of sustainable, profitable growth, delivering returns above the cost of capital and turning the opportunities in our markets, the strength of our balance sheet, and the depth and quality of our client franchise into sustained shareholder value creation.

We know it won't be smooth or easy. Disciplined, focused execution will be critical, and in that context I would like to take this opportunity to thank the people of Standard Chartered for their professionalism, commitment and teamwork. And to thank our shareholders for their support.

Peter Sands
Group Chief Executive
6 August 2014

The following Financial review provides an analysis of:

- Group income statement (page 8)
- Profit of our four client segments, split by geographic region (pages 9 to 15)
- Product income, split by client segment (pages 16 to 18)
- Profit for each geographic region (pages 19 to 22)
- Group balance sheet (pages 23 to 24)

This Financial review also:

- Reflects the restatement of prior period amounts for the four new client segments and the new geographic regions (see note 29 on page 146 for further details);
- Excludes the impact of a $15 million loss relating to an own credit adjustment (OCA) (six months to 30 June 2013: gain of $237 million; six months to 31 December 2013: loss of $131 million) and the $1 billion goodwill impairment in the six months to 30 June 2013 to better reflect the underlying performance of the Group

The following commentary reflects movements compared to the six months to 30 June 2013 (H1 2013) unless otherwise indicated.

Group summary

The Group's performance for the six months to 30 June 2014 (H1 2014) has been impacted by a challenging external environment, with operating income down $482 million, or 5 per cent, to $9,269 million compared to H1 2013, although income rose 4 per cent compared to the six months to 31 December 2013 (H2 2013).

The normalised cost to income ratio was higher at 54.7 per cent compared to 51.4 per cent in H1 2013. Costs continue to be tightly managed, growing only 1 per cent despite continued investments, increased regulatory and compliance costs and inflationary pressures.

Profit before taxation fell by $820 million, or 20 per cent, to $3,268 million but was up 14 per cent compared to H2 2013.

Profit before taxation on a statutory basis was down 2 per cent at $3,253 million.

Normalised earnings per share fell 21 per cent to 96.5 cents. Further details of normalised items and the basic and diluted earnings per share are provided in note 11 on page 115.

In accordance with accounting requirements, the cost of the UK bank levy is charged in the second half of the year. Note 5 on page 111 provides further details of the UK bank levy together with the impact, on a pro-forma basis, if the levy had been recognised in these financial statements on a proportionate basis.

We remain focused on the drivers of value creation for our shareholders and we continue to build out our franchise to take advantage of the opportunities that we see across our footprint in Asia, Africa and the Middle East.

Balance sheet

The Group's balance sheet remains strong and well diversified with limited exposure to problem asset classes (which is further discussed in the Risk Review on page 48).

Asset quality remains good although we remain watchful in India and of commodity exposures in general. 79 per cent of the Retail loan book is fully secured and over 60 per cent of Corporate and Institutional (C&I) client loans have a maturity of less than one year and are well collateralised.

Customer deposits, 54 per cent of which are in Current and Savings Accounts (CASA), were flat to the end of 2013, with growth in CASA in Hong Kong and Singapore offset by lower Time Deposit balances. The Group maintains a conservative funding structure with only limited levels of refinancing required over the next few years and we continue to be a significant net lender to the interbank market.

Liquidity

The Group continues to be highly liquid and our advances-to-deposits ratio was 78.1 per cent, up from 75.7 per cent at the year end. Our liquid asset ratio was 30.5 per cent, up from 29.8 per cent at 31 December 2013, and both the Group LCR and NSFR were above 100 per cent at 30 June 2014.

Capital

The Group remains strongly capitalised and the Common Equity Tier 1 ratio at 30 June 2014 was 10.5 per cent, compared to 10.9 per cent (11.8 per cent under Basel II) at the last year end primarily due to the timing of dividends and higher risk-weighted assets.

Operating income and profit

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million	H1 2014 vs H1 2013 Better / (worse) %	H1 2014 vs H2 2013 Better / (worse) %
Net interest income	**5,604**	5,598	5,558	-	1
Non-interest income	**3,665**	4,153	3,362	(12)	9
Operating income [1]	**9,269**	9,751	8,920	(5)	4
Of which - Client income	**8,373**	8,648	8,224	(3)	2
Operating expenses	**(5,083)**	(5,034)	(5,159)	(1)	2
Operating profit before impairment losses and taxation [1]	**4,186**	4,717	3,761	(11)	11
Impairment losses on loans and advances and other credit risk provisions	**(846)**	(730)	(887)	(16)	5
Other impairment	**(185)**	(11)	(118)	nm	(57)
Profit from associates and joint ventures	**113**	112	114	1	(1)
Profit before taxation (excluding goodwill impairment and own credit adjustment)	**3,268**	4,088	2,870	(20)	14
Own credit adjustment	**(15)**	237	(131)	(106)	89
Goodwill impairment	**-**	(1,000)	-	100	-
Profit before taxation	**3,253**	3,325	2,739	(2)	19

[1] Excludes own credit adjustment – "nm" – not meaningful

Operating income fell to $9,269 million, down 5 per cent, or $482 million compared to H1 2013. Client income remained resilient and was down 3 per cent overall.

Income across the Group remains diverse and while it was a challenging period for most of our geographies, the Greater China and Africa regions both increased income and this helped to partly offset lower income from Korea, which was down $229 million compared to H1 2013.

In terms of the Group's client segments:

- Corporate and Institutional (C&I) income fell $243 million, or 4 per cent, to $5,334 million due to lower Financial Markets (FM) income, as low levels of volatility impacted Foreign Exchange (FX) income, and income from Rates was affected by reduced client activity
- Commercial income was down $196 million, or 24 per cent, to $616 million with a decline in FX income in Hong Kong, which was disrupted as a result of reduced client demand following the renminbi (RMB) band widening by the People's Bank of China (PBoC), and lower Principal Finance income, due to reduced levels of realisations in the period and lower mark-to-market valuations
- Private Banking income rose $13 million, or 4 per cent, to $314 million driven by Wealth Management and secured lending
- Retail income fell $56 million, or 2 per cent, to $3,005 million compared to H1 2013 as we reduced higher risk Personal Loans in Korea and property cooling measures reduced Mortgages income in some markets. This was partly offset by higher Wealth Management income, which benefitted from the renewal of a multi-country insurance agreement in the period

From a product perspective, income from FM fell 20 per cent, or $432 million, to $1,780 million compared to H1 2013 reflecting the difficult market conditions. Income from Retail products fell 6 per cent to $2,435 million, largely due to the de-risking actions in respect of unsecured lending. This was, however, partly offset by improved income from Asset and Liability Management (ALM), which was up 38 per cent to $420 million compared to H1 2013.

The Group net interest margin was lower at 2.1 per cent compared to 2.2 per cent at H1 2013, but was flat compared to H2 2013. C&I and Commercial client interest income benefitted from higher Trade balances and higher Lending margins, which was partly offset by lower margins from Cash Management and Custody. Retail net interest income was lower due to a decline in unsecured balances and margins as we derisked Personal Loan portfolios, and this impacted Korea in particular.

Operating expenses increased $49 million, or 1 per cent, to $5,083 million. Expenses for H1 2013 benefitted from $36 million of provision recoveries; H2 2013 was impacted by $235 million in respect of the UK bank levy; and in H1 2014, IT depreciation was $52 million lower than the prior year due to a change in the period over which the assets are depreciated. Excluding these items, operating expenses were 1 per cent higher than H1 2013 and 4 per cent higher than H2 2013. Costs remain tightly controlled and staff costs rose 2 per cent compared to H1 2013 as inflationary increases were partly offset by lower headcount. Despite increased regulatory and compliance costs, we continued to make targeted investments in the Group's franchise.

Loan impairment increased by $116 million, or 16 per cent, to $846 million. Loan impairment from C&I and Commercial clients increased 53 per cent primarily due to a small number of exposures in Greater China, including $62 million in respect of lending secured by commodities, and within the Africa, Europe and ASEAN regions. This was partly offset by lower provisions in India. Impairment from Retail clients was broadly flat as increased provisioning in Korea was offset by lower provisioning requirements in the ASEAN region.

Other impairment increased by $174 million to $185 million reflecting provisions against commodity financing assets in Greater China as a result of a fraud and the impairment of certain strategic and associate investments in the Europe region.

Profit before taxation fell $820 million, or 20 per cent, to $3,268 million compared to H1 2013 but was up 14 per cent compared to H2 2013.

The Group's effective tax rate (ETR), on a statutory basis, was 26.1 per cent, down from 32.8 per cent at H1 2013, reflecting a change in profit mix and the impact of the non-deductible goodwill impairment in the prior period.

Corporate and Institutional Clients

The following tables provide an analysis of operating profit by geographic regions for Corporate and Institutional Clients:

	6 months ended 30.06.14								
	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]	**1,385**	**220**	**623**	**993**	**570**	**565**	**414**	**564**	**5,334**
Of which - Client income	**1,187**	**195**	**568**	**859**	**479**	**451**	**400**	**476**	**4,615**
Operating expenses	**(577)**	**(155)**	**(179)**	**(499)**	**(245)**	**(277)**	**(300)**	**(314)**	**(2,546)**
Loan impairment	**(61)**	**(2)**	**(28)**	**(66)**	**(4)**	**(79)**	**-**	**(26)**	**(266)**
Other impairment	**(95)**	**-**	**-**	**(3)**	**-**	**-**	**-**	**(71)**	**(169)**
Profit from associates and joint ventures	**76**	**-**	**-**	**14**	**-**	**-**	**-**	**-**	**90**
Operating profit[1]	**728**	**63**	**416**	**439**	**321**	**209**	**114**	**153**	**2,443**

[1] Operating income and operating profit excludes $(15) million in respect of own credit adjustment (Greater China $33 million, ASEAN $(27) million and Europe $(21) million)

	6 months ended 30.06.13								
	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]	1,273	340	679	1,051	593	585	443	613	5,577
Of which - Client income	1,164	240	567	891	498	498	402	490	4,750
Operating expenses	(569)	(151)	(204)	(500)	(252)	(238)	(278)	(308)	(2,500)
Loan impairment	(14)	(17)	(88)	(13)	(1)	(62)	1	(3)	(197)
Other impairment	(11)	(19)	-	1	-	-	-	1	(28)
Profit from associates and joint ventures	66	-	-	13	-	-	-	-	79
Operating profit[1]	745	153	387	552	340	285	166	303	2,931

[1] Operating income and operating profit excludes $237 million in respect of own credit adjustment (Greater China $7 million, NE Asia $2 million, ASEAN $93 million and Europe $135 million)

	6 months ended 31.12.13								
	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]	1,195	220	605	991	526	610	415	517	5,079
Of which - Client income	1,088	191	553	890	455	521	397	467	4,562
Operating expenses	(568)	(154)	(199)	(476)	(242)	(261)	(258)	(296)	(2,454)
Loan impairment	13	(36)	(18)	(79)	21	(185)	(4)	(3)	(291)
Other impairment	(3)	(8)	(76)	1	-	-	-	1	(85)
Profit from associates and joint ventures	65	-	-	12	-	-	-	-	77
Operating profit[1]	702	22	312	449	305	164	153	219	2,326

[1] Operating income and operating profit excludes $(131) million in respect of own credit adjustment (Greater China $(8) million, ASEAN $(48) million and Europe $(75) million)

Corporate and Institutional (C&I) clients comprises Global Corporates (major multinational corporations and large business groups which have sophisticated, cross-border needs requiring high levels of international service); Local Corporates (typically clients with operations in three geographies or less); and Financial Institutions (Banks, Investor clients, Insurance companies, Broker Dealers, Public Sector names (including Central Banks, Sovereign Wealth Funds and Development Organisations) and other types of financial institutions).

Around 90 per cent of C&I client income is generated by Transaction Banking, FM and Corporate Finance products.

Income from C&I clients fell $243 million, or 4 per cent, to $5,334 million but remains well diversified by client segment, product and geographic region and we continued deepening and broadening our relationship with clients.

Client income, which constitutes over 85 per cent of C&I income, fell by 3 per cent compared to H1 2013 reflecting challenging industry-wide market conditions. On a geographic basis, client income was lower across most regions except Greater China.

Income from Transaction Banking fell 2 per cent, as higher Cash Management and Custody income on the back of increased average balances was offset by lower Trade income.

FM income was impacted by cyclical factors, many of which were specific to our footprint. Income from Rates fell 33 per cent, particularly in the structured business in Korea, while FX income was down 22 per cent, despite strong volume growth as spreads compressed.

Own account income fell 13 per cent compared to H1 2013. FM income was sharply lower, reflecting the difficult market conditions which particularly impacted FX and Rates income. This was partly offset by higher ALM income, driven by improved accrual income, and higher income from Principal Finance realisations during the period.

Operating expenses were up $46 million, or 2 per cent, to $2,546 million. Expenses remain well controlled, despite increased regulatory and compliance costs.

Corporate and Institutional Clients continued

The following tables provide an analysis of operating profit by key countries for Corporate and Institutional Clients:

	6 months ended 30.06.14						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income[1]	**952**	**522**	**180**	**495**	**358**	**375**	**512**
Of which - Client income	**856**	**460**	**166**	**453**	**295**	**280**	**428**
Operating expenses	**(376)**	**(271)**	**(127)**	**(147)**	**(149)**	**(174)**	**(281)**
Loan impairment	**(58)**	**3**	**(2)**	**(27)**	**(2)**	**(4)**	**(26)**
Other impairment	**(95)**	**(1)**	**-**	**-**	**-**	**-**	**(71)**
Profit from associates and joint ventures	**-**	**-**	**-**	**-**	**-**	**76**	**-**
Operating profit[1]	**423**	**253**	**51**	**321**	**207**	**273**	**134**

[1] Operating income and operating profit excludes $(15) million in respect of own credit adjustment (Greater China $33 million, ASEAN $(27) million and Europe $(21) million

	6 months ended 30.06.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income[1]	926	577	305	563	394	289	538
Of which - Client income	850	455	214	468	322	262	419
Operating expenses	(366)	(305)	(123)	(173)	(156)	(175)	(272)
Loan impairment	(1)	-	(17)	(88)	4	(10)	(3)
Other impairment	(2)	10	(19)	-	-	(11)	1
Profit from associates and joint ventures	-	-	-	-	-	66	-
Operating profit[1]	557	282	146	302	242	159	264

[1] Operating income and operating profit excludes $237 million in respect of own credit adjustment (Greater China $7 million, NE Asia $2 million, ASEAN $93 million and Europe $135 million)

	6 months ended 31.12.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income[1]	848	487	182	491	355	295	461
Of which - Client income	771	465	164	449	298	268	417
Operating expenses	(371)	(246)	(126)	(165)	(154)	(170)	(256)
Loan impairment	8	(9)	(36)	(7)	(6)	-	(3)
Other impairment	-	-	(8)	(76)	-	(3)	1
Profit from associates and joint ventures	-	-	-	-	-	65	-
Operating profit[1]	485	232	12	243	195	187	203

[1] Operating income and operating profit excludes $(131) million in respect of own credit adjustment (Greater China $(8) million, ASEAN $(48) million and Europe $(75) million)

Loan impairment increased by $69 million, or 35 per cent, to $266 million, driven by a small number of clients in Greater China, including $62 million in respect of lending secured by Commodities, Africa, Europe and within the ASEAN region. This was partly offset by lower impairment in India as the prior period was impacted by a small number of exposures.

Other impairment was higher by $141 million at $169 million, largely due to commodity financing positions in Greater China and impairments against certain strategic investments within the Europe region.

Operating profit fell by $488 million, or 17 per cent, to $2,443 million.

Commercial Clients

The following tables provide an analysis of operating profit by geographic regions for Commercial Clients:

	6 months ended 30.06.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income	**248**	**33**	**90**	**89**	**83**	**73**	**-**	**-**	**616**
Of which - Client income	**267**	**46**	**86**	**82**	**77**	**59**	**-**	**-**	**617**
Operating expenses	**(142)**	**(41)**	**(35)**	**(68)**	**(37)**	**(39)**	**-**	**-**	**(362)**
Loan impairment	**(49)**	**(22)**	**(18)**	**(4)**	**(6)**	**(1)**	**-**	**-**	**(100)**
Other impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit from associates and joint ventures	**-**	**-**	**-**	**11**	**-**	**-**	**-**	**-**	**11**
Operating profit/(loss)	**57**	**(30)**	**37**	**28**	**40**	**33**	**-**	**-**	**165**

	6 months ended 30.06.13								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income	306	50	157	155	86	58	-	-	812
Of which - Client income	308	51	102	91	80	63	-	-	695
Operating expenses	(144)	(44)	(46)	(66)	(38)	(36)	-	-	(374)
Loan impairment	(5)	(8)	(11)	(3)	(13)	(3)	-	-	(43)
Other impairment	17	-	-	(3)	-	-	-	-	14
Profit from associates and joint ventures	-	-	-	17	-	-	-	-	17
Operating profit/(loss)	174	(2)	100	100	35	19	-	-	426

	6 months ended 31.12.13								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income	293	43	108	99	87	69	-	-	699
Of which - Client income	254	46	90	92	80	64	-	-	626
Operating expenses	(145)	(45)	(37)	(54)	(35)	(41)	-	-	(357)
Loan impairment	(22)	(13)	(57)	(6)	(15)	(1)	-	-	(114)
Other impairment	(1)	-	(26)	-	-	-	-	-	(27)
Profit from associates and joint ventures	-	-	-	20	-	-	-	-	20
Operating profit/(loss)	125	(15)	(12)	59	37	27	-	-	221

The Commercial client segment serves medium-sized business clients who are managed by relationship managers.

Over three quarters of the client income from Commercial clients is generated by Transaction Banking, Financial Markets and Lending products.

Operating income for Commercial clients fell by $196 million, or 24 per cent, to $616 million.

Client income fell 11 per cent, with FM income in Hong Kong being the biggest driver of the fall, as the RMB band widening reduced client demand which disrupted the flow of FX revenues. Transaction Banking income declined primarily due to lower Cash Management income. Lending income was also lower as we exited low return exposures.

Own account income declined by $118 million reflecting a fall in income from Principal Finance as a result of lower mark to market valuations and reduced levels of realisations in the current period relating to Commercial clients. This primarily impacted income in Singapore and India.

Expenses were down $12 million, or 3 per cent, to $362 million as we tightly managed costs.

Loan impairment increased by $57 million to $100 million, driven by a small number of exposures in Hong Kong, Korea and China.

Other impairment in H1 2013 benefitted from recoveries on the realisation of previously impaired Principal Finance investments in China while H2 2013 was impacted by an investment write-down in India.

Operating profit fell by $261 million, or 61 per cent, to $165 million, with Hong Kong down $81 million to $87 million, India down $64 million to $34 million and Singapore down $54 million to $11 million.

Commercial Clients continued

The following tables provide an analysis of operating profit by key countries for Commercial Clients:

	6 months ended 30.06.14						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income	214	50	33	86	69	7	-
Of which - Client income	204	47	46	82	64	40	-
Operating expenses	(95)	(40)	(41)	(34)	(31)	(31)	-
Loan impairment	(32)	1	(22)	(18)	(2)	(17)	-
Other impairment	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	-	-
Operating profit/(loss)	87	11	(30)	34	36	(41)	-

	6 months ended 30.06.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income	259	106	50	153	74	21	-
Of which - Client income	244	55	51	97	69	41	-
Operating expenses	(90)	(42)	(44)	(44)	(31)	(37)	-
Loan impairment	(1)	1	(8)	(11)	(6)	(4)	-
Other impairment	-	-	-	-	-	17	-
Profit from associates and joint ventures	-	-	-	-	-	-	-
Operating profit/(loss)	168	65	(2)	98	37	(3)	-

	6 months ended 31.12.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income	210	52	43	103	71	66	-
Of which - Client income	192	53	46	86	67	45	-
Operating expenses	(91)	(29)	(45)	(36)	(30)	(36)	-
Loan impairment	(3)	(1)	(13)	(56)	(12)	(19)	-
Other impairment	(2)	-	-	(26)	-	1	-
Profit from associates and joint ventures	-	-	-	-	-	-	-
Operating profit/(loss)	114	22	(15)	(15)	29	12	-

Private Banking Clients

The following tables provide an analysis of operating profit by geographic regions for Private Banking Clients:

	6 months ended 30.06.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income	**70**	**-**	**17**	**138**	**14**	**-**	**-**	**75**	**314**
Of which - Client income	**63**	**-**	**15**	**134**	**14**	**-**	**-**	**69**	**295**
Operating expenses	**(53)**	**-**	**(8)**	**(76)**	**(15)**	**-**	**-**	**(75)**	**(227)**
Loan impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16)**	**(16)**
Profit from associates and joint ventures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Operating profit/(loss)	**17**	**-**	**9**	**62**	**(1)**	**-**	**-**	**(16)**	**71**

	6 months ended 30.06.13								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income	58	10	20	124	12	-	-	77	301
Of which - Client income	52	9	15	127	12	-	-	69	284
Operating expenses	(47)	(10)	(8)	(73)	(12)	-	-	(63)	(213)
Loan impairment	-	-	-	-	-	-	(8)	-	(8)
Other impairment	-	-	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	-	-	1	1
Operating profit/(loss)	11	-	12	51	-	-	(8)	15	81

	6 months ended 31.12.13								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income	58	-	14	125	16	-	-	72	285
Of which - Client income	54	-	13	128	14	-	-	73	282
Operating expenses	(45)	-	(8)	(68)	(11)	-	-	(62)	(194)
Loan impairment	-	-	-	-	-	-	-	-	-
Other impairment	-	-	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	-	-	1	1
Operating profit	13	-	6	57	5	-	-	11	92

The Private Banking client segment is dedicated to giving high net worth clients highly personalised service and a comprehensive suite of products and services tailored to meet their financial needs.

Income from Private Banking clients primarily relates to Wealth Management and Retail products, including lending, generated from clients across Asia, Africa and the Middle East.

Operating income from Private Banking clients increased $13 million, or 4 per cent, to $314 million. Excluding income from Korea (which we exited in H2 2013), income rose 8 per cent. This reflected strong growth across the Hong Kong and the advising centres, led by Wealth Management, Lending and Mortgage products and good traction in sales of structured notes, equities and funds leveraging on improved market sentiment. This was partly offset by lower income from Deposits due to margin compression.

Client assets under management (AuM) grew 13 per cent compared to H1 2013 driven by higher investment balances.

Expenses were up $14 million, or 7 per cent, at $227 million. Excluding Korea, expenses rose 12 per cent. The increase reflects additional costs related to the exit of our Geneva business.

Other impairment increased to $16 million following a writedown of an associate investment.

Operating profit fell by $10 million, or 12 per cent, to $71 million. Excluding the other impairment charge, operating profit rose 7 per cent.

Retail Clients

The following tables provide an analysis of operating profit by geographic regions for Retail Clients:

	6 months ended 30.06.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income	**1,082**	**456**	**229**	**700**	**284**	**240**	**-**	**14**	**3,005**
Of which - Client income	**1,015**	**431**	**220**	**671**	**269**	**227**	**-**	**13**	**2,846**
Operating expenses	**(638)**	**(420)**	**(157)**	**(387)**	**(185)**	**(151)**	**-**	**(10)**	**(1,948)**
Loan impairment	**(102)**	**(185)**	**(15)**	**(145)**	**(17)**	**(14)**	**-**	**(2)**	**(480)**
Other impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit from associates and joint ventures	**8**	**-**	**-**	**4**	**-**	**-**	**-**	**-**	**12**
Operating profit/(loss)	**350**	**(149)**	**57**	**172**	**82**	**75**	**-**	**2**	**589**

	6 months ended 30.06.13								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income	1,022	536	243	756	280	210	-	14	3,061
Of which - Client income	974	502	226	734	269	201	-	13	2,919
Operating expenses	(624)	(380)	(167)	(430)	(191)	(147)	-	(8)	(1,947)
Loan impairment	(108)	(168)	(18)	(156)	(20)	(10)	-	(2)	(482)
Other impairment	-	-	-	3	-	-	-	-	3
Profit from associates and joint ventures	7	-	-	8	-	-	-	-	15
Operating profit/(loss)	297	(12)	58	181	69	53	-	4	650

	6 months ended 31.12.13								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income	993	440	214	710	265	219	-	16	2,857
Of which - Client income	952	423	204	693	255	213	-	14	2,754
Operating expenses	(630)	(402)	(154)	(408)	(179)	(139)	-	(7)	(1,919)
Loan impairment	(106)	(185)	(23)	(139)	(19)	(9)	-	(1)	(482)
Other impairment	(1)	(2)	(3)	-	-	-	-	-	(6)
Profit from associates and joint ventures	8	-	-	8	-	-	-	-	16
Operating profit/(loss)	264	(149)	34	171	67	71	-	8	466

Retail clients comprise:

- Priority & International clients, managing and servicing High Value Segment customers and delivering a distinct and differentiated customer experience to them
- Personal & Preferred clients, providing banking products and services to a broader consumer market; and
- Business clients, serving small business clients, sole proprietors and private companies, offering solutions such as working capital, business expansion, businesses protection and yield enhancement

Operating income from Retail clients fell $56 million, or 2 per cent, to $3,005 million but was up 5 per cent against H2 2013. Income from Retail clients remains diverse both by product and across geographic region. Hong Kong continues to be our largest retail market, growing income 10 per cent, which partly offset lower income from Korea, which was down 14 per cent. Excluding Korea, income rose 1 per cent compared to H1 2013.

The fall in income reflects reduced asset momentum due to derisking actions and lower margins, both of which impacted income from unsecured lending in Korea. Margin compression also impacted deposits income, which more than offset volume growth. Mortgages income was impacted by property cooling measures in Hong Kong and Singapore, reducing fee income as new transaction volumes decreased, and lower levels of originations under the Mortgage Purchase Programme in Korea. Wealth Management income grew as market sentiment improved together with higher bancassurance income, which benefitted from the renewal of a multi-country distribution agreement in the current period.

Expenses were broadly flat at $1,948 million and continue to be tightly managed. Excluding the impact of a special retirement charge in Korea of $29 million, expenses fell 1 per cent.

Loan impairment was broadly flat at $480 million. Impairment in Korea rose by $17 million as we continue to see increased levels of PDRS filings. This was largely offset by lower provision levels in Malaysia and Singapore.

Operating profit fell by $61 million, or 9 per cent, to $589 million. Excluding Korea, which fell $141 million to a loss of $148 million, operating profit rose 12 per cent.

Retail Clients continued

The following tables provide an analysis of operating profit by key countries for Retail Clients:

	6 months ended 30.06.14						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income	**756**	**325**	**456**	**161**	**155**	**133**	**-**
Of which - Client income	**704**	**316**	**431**	**154**	**148**	**121**	**-**
Operating expenses	**(342)**	**(164)**	**(419)**	**(119)**	**(91)**	**(166)**	**-**
Loan impairment	**(73)**	**(32)**	**(185)**	**(11)**	**(17)**	**(14)**	**-**
Other impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit from associates and joint ventures	**-**	**-**	**-**	**-**	**-**	**8**	**-**
Operating profit/(loss)	**341**	**129**	**(148)**	**31**	**47**	**(39)**	**-**

	6 months ended 30.06.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income	686	316	533	172	151	138	-
Of which - Client income	644	315	500	160	144	132	-
Operating expenses	(323)	(194)	(372)	(131)	(91)	(171)	-
Loan impairment	(68)	(40)	(168)	(14)	(15)	(13)	-
Other impairment	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	7	-
Operating profit/(loss)	295	82	(7)	27	45	(39)	-

	6 months ended 31.12.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income	680	316	440	147	149	125	-
Of which - Client income	642	315	422	137	141	119	-
Operating expenses	(333)	(172)	(400)	(119)	(88)	(164)	-
Loan impairment	(70)	(39)	(185)	(19)	(17)	(12)	-
Other impairment	-	-	(2)	(3)	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	8	-
Operating profit/(loss)	277	105	(147)	6	44	(43)	-

Operating income by product and segment

Income by product and client segment is set out below:

	6 months ended 30.06.14				
	Total $million	Corporate & Institutional $million	Commercial $million	Private Banking $million	Retail $million
Transaction Banking	**1,918**	**1,603**	**302**	**1**	**12**
Trade	**999**	**824**	**162**	**1**	**12**
Cash Management and Custody	**919**	**779**	**140**	**-**	**-**
Financial Markets	**1,780**	**1,662**	**118**	**-**	**-**
Foreign Exchange	**636**	**537**	**99**	**-**	**-**
Rates	**371**	**363**	**8**	**-**	**-**
Commodities and Equities	**262**	**252**	**10**	**-**	**-**
Capital Markets	**284**	**280**	**4**	**-**	**-**
Credit and Other[1]	**227**	**230**	**(3)**	**-**	**-**
Corporate Finance	**1,241**	**1,227**	**14**	**-**	**-**
Wealth Management	**817**	**-**	**64**	**205**	**548**
Retail Products	**2,435**	**-**	**2**	**94**	**2,339**
Cards, Personal Loans and Unsecured Lending (CCPL)	**1,315**	**-**	**-**	**-**	**1,315**
Deposits	**598**	**-**	**2**	**65**	**531**
Mortgage and Auto	**474**	**-**	**-**	**29**	**445**
Other Retail Products	**48**	**-**	**-**	**-**	**48**
Others	**1,078**	**842**	**116**	**14**	**106**
Asset and Liability Management	**420**	**278**	**22**	**14**	**106**
Lending and Portfolio Management	**529**	**393**	**136**	**-**	**-**
Principal Finance	**129**	**171**	**(42)**	**-**	**-**
Total operating income[1]	**9,269**	**5,334**	**616**	**314**	**3,005**

[1] Excludes $(15) million relating to an own credit adjustment

	6 months ended 30.06.13				
	Total $million	Corporate & Institutional $million	Commercial $million	Private Banking $million	Retail $million
Transaction Banking	1,964	1,633	322	1	8
Trade	1,042	865	168	1	8
Cash Management and Custody	922	768	154	-	-
Financial Markets	2,212	2,043	169	-	-
Foreign Exchange	835	687	148	-	-
Rates	552	542	10	-	-
Commodities and Equities	288	276	12	-	-
Capital Markets	283	281	2	-	-
Credit and Other[1]	254	257	(3)	-	-
Corporate Finance	1,238	1,220	18	-	-
Wealth Management	755	-	71	191	493
Retail Products	2,588	-	3	98	2,487
Cards, Personal Loans and Unsecured Lending (CCPL)	1,401	-	-	-	1,401
Deposits	605	-	3	72	530
Mortgage and Auto	519	-	-	25	494
Other Retail Products	63	-	-	1	62
Others	994	681	229	11	73
Asset and Liability Management	305	199	22	11	73
Lending and Portfolio Management	522	380	142	-	-
Principal Finance	167	102	65	-	-
Total operating income[1]	9,751	5,577	812	301	3,061

[1] Excludes $237 million relating to an own credit adjustment

Operating income by product and segment continued

	6 months ended 31.12.13				
	Total $million	Corporate & Institutional $million	Commercial $million	Private Banking $million	Retail $million
Transaction Banking	1,947	1,620	318	2	7
Trade	1,027	850	168	2	7
Cash Management and Custody	920	770	150	-	-
Financial Markets	1,644	1,551	93	-	-
Foreign Exchange	578	508	70	-	-
Rates	365	358	7	-	-
Commodities and Equities	219	216	3	-	-
Capital Markets	275	272	3	-	-
Credit and Other[1]	207	197	10	-	-
Corporate Finance	1,281	1,266	15	-	-
Wealth Management	694	-	69	187	438
Retail Products	2,458	-	2	98	2,358
Cards, Personal Loans and Unsecured Lending (CCPL)	1,387	-	-	-	1,387
Deposits	588	-	2	68	518
Mortgage and Auto	478	-	-	29	449
Other Retail Products	5	-	-	1	4
Others	896	642	202	(2)	54
Asset and Liability Management	243	176	15	(2)	54
Lending and Portfolio Management	543	387	156	-	-
Principal Finance	110	79	31	-	-
Total operating income[1]	8,920	5,079	699	285	2,857

[1] Excludes $(131) million relating to an own credit adjustment

Product performance

Transaction Banking income fell $46 million, or 2 per cent, to $1,918 million.

Trade income fell 4 per cent with lower margins than the previous year and a decline in fee income offsetting growth in balances. Growth in balances was lower than the first half of 2013, impacted by balance sheet optimisation actions taken during the period. Trade margins as a whole have stabilised since the end of 2013.

Cash Management and Custody income was flat, with margins down 4 basis points while average balances increased compared to H1 2013.

Financial Markets (FM) income was $432 million lower at $1,780 million compared to H1 2013 impacted by challenging industry-wide conditions and factors specific to Emerging Markets.

FX income fell 24 per cent to $636 million impacted by low levels of volatility across our footprint markets which reduced spreads although volumes grew strongly. Cash FX notionals rose 24 per cent and FX Option notionals rose 45 per cent. FX Options income in Hong Kong was impacted by the widening of the RMB trading band by the PBoC, which disrupted revenue flows.

Rates income fell 33 per cent to $371 million largely reflecting the challenging market conditions in the first half of 2014. Rates flow business remained resilient while the structured business was impacted by market conditions.

Commodities and Equities income fell 9 per cent to $262 million. Client hedging activity declined, as markets were range bound leading to low levels of volatility across most asset classes. Equities income increased on the back of new product offerings and improved client connectivity.

Capital Markets income was flat at $284 million, with increased loan syndications volumes on the prior year period.

Credit and other income fell by 11 per cent to $227 million, primarily impacted by rising bonds yields.

Corporate Finance income was flat at $1,241 million as strong growth in M&A advisory income offset lower income from Strategic Finance, reflecting repayments and timing of deal flow. Structured Trade Finance income was up slightly on higher client activity levels.

Wealth Management income rose 8 per cent to $817 million. Bancassurance income increased overall, benefitting from the renewal of a multi-country distribution agreement in the current period. Income from managed funds reduced as equity markets continue to recover, although this was offset by higher income from structured notes and Wealth Management lending.

Income from **Retail products** was $153 million lower at $2,435 million.

Income from CCPL fell 6 per cent to $1,315 million as we reduced our exposure to higher risk Personal Loans portfolio in a number of markets, particularly in Korea. Margins overall were compressed due to regulatory changes across multiple markets. Korea suffered significant margin decline as we exited the higher risk Personal Loans segment.

Deposits income was down 1 per cent at $598 million as good growth in CASA balances in Korea and Hong Kong was offset by lower margins in Time Deposits.

Mortgages and Auto Finance income fell 9 per cent to $474 million despite improved margins as property cooling measures impacted new transaction volumes in our key markets in Hong

Kong and Singapore, and income in Korea was primarily impacted by lower levels of origination under the Mortgage Purchase Programme.

Other retail income fell 24 per cent to $48 million compared to H1 2013. Income was up $43 million against H2 2013, which was impacted by a $49 million loss on businesses held for sale in Korea.

ALM income was up 38 per cent to $420 million reflecting improved accrual income which offset lower income from securities sales.

Lending and Portfolio Management income rose by 1 per cent to $529 million. While average balances fell compared to H1 2013, this was more than offset by improved margins.

Principal Finance income fell 23 per cent to $129 million as gains from portfolio realisations were offset by reduced market valuations. Income relating to Commercial clients fell sharply largely as a result of reduced realisations and lower mark-to-market valuations.

Performance by geographic region and key countries

The following tables provide an analysis of operating profit by geographic regions and key countries:

6 months ended 30.06.14	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]	**2,785**	**709**	**959**	**1,920**	**951**	**878**	**414**	**653**	**9,269**
Of which - Client income	**2,532**	**672**	**889**	**1,746**	**839**	**737**	**400**	**558**	**8,373**
Operating expenses	**(1,410)**	**(616)**	**(379)**	**(1,030)**	**(482)**	**(467)**	**(300)**	**(399)**	**(5,083)**
Loan impairment	**(212)**	**(209)**	**(61)**	**(215)**	**(27)**	**(94)**	**-**	**(28)**	**(846)**
Other impairment	**(95)**	**-**	**-**	**(3)**	**-**	**-**	**-**	**(87)**	**(185)**
Profit from associates and joint ventures	**84**	**-**	**-**	**29**	**-**	**-**	**-**	**-**	**113**
Operating profit/(loss)[1]	**1,152**	**(116)**	**519**	**701**	**442**	**317**	**114**	**139**	**3,268**

[1] Operating income and operating profit excludes $(15) million in respect of own credit adjustment (Greater China $33 million, ASEAN $(27) million and Europe $(21) million)

6 months ended 30.06.13	Greater China $million	North East Asia[2] $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income[1]	2,659	936	1,099	2,086	971	853	443	704	9,751
Of which - Client income	2,498	802	910	1,843	859	762	402	572	8,648
Operating expenses	(1,384)	(585)	(425)	(1,069)	(493)	(421)	(278)	(379)	(5,034)
Loan impairment	(127)	(193)	(117)	(172)	(34)	(75)	(7)	(5)	(730)
Other impairment	6	(19)	-	1	-	-	-	1	(11)
Profit from associates and joint ventures	73	-	-	38	-	-	-	1	112
Operating profit[1]	1,227	139	557	884	444	357	158	322	4,088

[1] Operating income and operating profit excludes $237 million in respect of own credit adjustment (Greater China $7 million, NE Asia $2 million, ASEAN $93 million and Europe $135 million)

[2] Other impairment excludes $1 billion relating to goodwill impairment charge on Korea business

6 months ended 31.12.13	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]	2,539	703	941	1,925	894	898	415	605	8,920
Of which - Client income	2,348	660	860	1,803	804	798	397	554	8,224
Operating expenses	(1,388)	(601)	(398)	(1,006)	(467)	(441)	(258)	(600)	(5,159)
Loan impairment	(115)	(234)	(98)	(224)	(13)	(195)	(4)	(4)	(887)
Other impairment	(5)	(10)	(105)	1	-	-	-	1	(118)
Profit from associates and joint ventures	73	-	-	40	-	-	-	1	114
Operating profit/(loss)[1]	1,104	(142)	340	736	414	262	153	3	2,870

[1] Operating income and operating profit excludes $(131) million in respect of own credit adjustment (Greater China $(8) million, ASEAN $(48) million and Europe $(75) million)

Geographic performance

Greater China

Income was up $126 million, or 5 per cent, to $2,785 million. Over 90 per cent of the income in this region is from Hong Kong and China.

Income in Hong Kong rose $63 million, or 3 per cent, to $1,992 million. Client income increased slightly, up 2 per cent. Lower income from FM was offset by an improved performance in CCPL and Wealth Management. FM income was impacted as momentum slowed following the widening of the RMB trading band during 2014, reducing income from FX Options. Rates income also fell as low levels of volatility contributed to reduced client activity. CCPL income increased reflecting growth in fee income from Cards and higher Personal Loan balances although this was partly offset by lower Mortgages income as property cooling measures impacted new transaction volumes. Wealth Management income grew strongly particularly in bancassurance. Own account income rose due to gains from commodities and increased income from ALM reflecting the deployment of surplus CNH funding.

Income in China rose $67 million, or 15 per cent, to $515 million. Client income rose slightly, up 1 per cent compared to H1 2013. Transaction Banking income grew as margins in Cash and Trade increased coupled with strong growth in Trade volumes. Income from FM products increased with good flow FX momentum as a result of the wider RMB trading band although Rates income was impacted by low volatility in the market. Income from Retail products was largely flat as growth in CCPL income was offset by lower Mortgages income, which was impacted by significant margin compression. Own account income rose, as a result of the deployment of RMB funds accumulating in from Hong Kong, Taiwan and Singapore as the Group continued to be a leader in the internationalisation of RMB.

Performance by geographic region and key countries continued

The following tables provide an analysis of operating profit by key countries:

	6 months ended 30.06.14						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income[1]	1,992	1,035	669	759	596	515	535
Of which - Client income	1,827	957	643	704	521	441	447
Operating expenses	(866)	(551)	(587)	(308)	(286)	(371)	(308)
Loan impairment	(163)	(28)	(209)	(56)	(21)	(35)	(26)
Other impairment	(95)	(1)	-	-	-	-	(87)
Profit from associates and joint ventures	-	-	-	-	-	84	-
Operating profit/(loss)[1]	868	455	(127)	395	289	193	114

[1] Operating income and operating profit excludes own credit adjustment (Hong Kong $32 million, Singapore $(20) million, Korea $1 million, China $1 million and UK $(21) million)

	6 months ended 30.06.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income[1]	1,929	1,123	898	908	631	448	566
Of which - Client income	1,790	952	774	740	547	435	443
Operating expenses	(826)	(614)	(549)	(356)	(290)	(383)	(297)
Loan impairment	(70)	(39)	(193)	(113)	(17)	(27)	(3)
Other impairment[2]	(2)	10	(19)	-	-	6	1
Profit from associates and joint ventures	-	-	-	-	-	73	1
Operating profit[1]	1,031	480	137	439	324	117	268

[1] Operating income and operating profit excludes own credit adjustment (Hong Kong $2 million, Singapore $64 million, Korea $2 million, China $5 million and UK $135 million)
[2] Other impairment excludes $1 billion relating to goodwill impairment charge on Korea business

	6 months ended 31.12.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Operating income[1]	1,796	980	665	755	591	486	484
Of which - Client income	1,659	960	632	685	520	432	440
Operating expenses	(840)	(515)	(571)	(328)	(283)	(370)	(515)
Loan impairment	(65)	(49)	(234)	(82)	(35)	(31)	(3)
Other impairment	(2)	-	(10)	(105)	-	(2)	1
Profit from associates and joint ventures	-	-	-	-	-	73	1
Operating profit/(loss)[1]	889	416	(150)	240	273	156	(32)

[1] Operating income and operating profit excludes own credit adjustment (Hong Kong $(2) million, Singapore $(35) million, Korea $(1) million, China $(6) million and UK $(75) million)

Operating expenses across the region rose $26 million, or 2 per cent. Expenses in Hong Kong increased $40 million on the back of higher depreciation charges relating to our leasing business and investments in front-line technology. Expenses in China fell $12 million.

Loan impairment in the region was $85 million higher at $212 million and Other impairment rose $101 million to $95 million, primarily due to provisions relating to commodity financing transactions.

Operating profit fell $75 million, or 6 per cent, to $1,152 million, with Hong Kong down $163 million to $868 million and China up $76 million to $193 million.

North East Asia

Income was down $227 million, or 24 per cent, to $709 million. Korea represents over 90 per cent of income within this region.

Income in Korea fell $229 million, or 26 per cent, to $669 million. Income was up 1 per cent against H2 2013, but down 6 per cent excluding the $49 million fair value charge relating to businesses held for sale in that period. Client income fell 17 per cent compared to H1 2013 due to lower levels of income from FM and Retail products. Income from Rates was sharply lower, impacted by lower client volumes particularly in respect of structured notes and structured deposits. Lower levels of client activity also impacted Transaction Banking, where Trade income fell due to lower volumes and Cash

Performance by geographic region and key countries continued

Management income was impacted by a reduction in the size and tenor of balances. CCPL income declined as we continue to derisk the personal loan portfolio. Mortgages income also fell as Mortgage Purchase Programme volumes declined. Own account income fell sharply primarily due to lower levels of Principal Finance realisations. We continued to generate income from Korean clients across our network and we opened three Korea desks in other countries to further increase the flow of cross-border transactions.

Operating expenses in Korea increased $38 million, or 7 per cent, to $587 million and includes a $32 million special retirement charge. Excluding this, expenses rose 1 per cent as we continued to tightly manage costs.

Loan impairment in Korea increased $16 million to $209 million primarily due to higher provisioning levels under the Personal Debt Rehabilitation Scheme.

Operating profit in Korea fell by $264 million to a loss of $127 million.

South Asia

Income fell $140 million, or 13 per cent, to $959 million. Around 80 per cent of the income in this region is from India.

Income in India fell by $149 million, or 16 per cent, to $759 million. On a constant currency basis, income fell 9 per cent. Client income was 5 per cent lower primarily due to reduced income from Transaction Banking and FM products. Transaction Banking income fell due to a fall in average balances across Trade and Cash Management, as we reduced low return exposures. The fall in FM income reflected lower spreads on FX products which more than offset higher volumes. This was partly offset by higher Lending income as margins improved. Income from CCPL fell as margins and balanced declined. Own account income was also lower due to lower derisking activity in the current period and lower Principal Finance realisations.

Operating expenses across the region fell $46 million, or 11 per cent, to $379 million. Expenses in India were down 13 per cent, or 4 per cent on a constant currency basis, as we reduced headcount and continued to manage costs tightly.

Loan impairment in the region fell $56 million, or 48 per cent, to $61 million as the prior period was impacted by charges on a small number of exposures.

Operating profit fell $38 million to $519 million, with India down $44 million to $395 million.

ASEAN

Income was down $166 million, or 8 per cent, to $1,920 million. While Corporate Finance income increased, difficult market conditions and regulatory headwinds, together with margin compression, impacted other products.

Income in Singapore fell $88 million, or 8 per cent, to $1,035 million. Client income remained resilient, however, increasing marginally by 1 percent compared to H1 2013. Transaction Banking income fell largely due to lower Cash Management and Trade margins which more than offset strong Trade volume momentum on the back of higher RMB assets. FM income was also down with lower income from Commodities and Equities partly offset by resilient FX flow volumes as we continued to focus on growing the RMB franchise despite increased competition and reduced client activity. Rates income was largely flat. Income from Corporate Finance rose and we gained market share, although the number of deals closed fell due to lower client activity levels. Income from Retail products fell as regulatory cooling measures impacted Mortgages & Auto income, offsetting higher income from Cards reflecting portfolio growth. Own account income fell due to lower volatility, narrowing trading ranges and lower Principal Finance income.

Operating expenses fell $39 million, or 4 per cent, to $1,030 million. Expenses in Singapore fell $63 million reflecting lower levels of variable compensation and tight management of discretionary costs.

Loan impairment was up by $43 million, or 25 per cent, to $215 million. Although impairment levels in Singapore fell this was more than offset by higher provisions in Thailand.

ASEAN delivered an operating profit of $701 million, down 21 per cent, with Singapore down $25 million to $455 million.

Middle East, North Africa and Pakistan (MENAP)

Income fell $20 million, or 2 per cent, to $951 million, reflecting a challenging business environment, margin compression and heightened competition.

Income in the UAE, which generates over half of the income in this region, was down $35 million, or 6 per cent, to $596 million. Client income was down 5 per cent. Income from FM products fell primarily due to lower income from FX as spreads compressed and from Rates reflecting reduced client flows. Transaction Banking income was down, as margin compression in Cash Management offset higher average balances. Income from Corporate Finance was lower, as deal flow slowed, and Lending income was impacted by repayments and continued balance sheet optimisation. Volumes in CCPL and Mortgages increased as market conditions improved, offsetting margin compression from competitive pricing and surplus liquidity. Own account income fell due to lower income from commodities, partly offset by higher income from derisking activities in ALM.

Operating expenses in the region were $11 million, or 2 per cent, lower at $482 million, reflecting headcount rationalisation in the UAE and good cost discipline across the region.

Loan impairment in MENAP fell by $7 million to $27 million, largely within the UAE.

Operating profit for MENAP was broadly flat at $442 million although profit in the UAE fell $35 million to $289 million.

Africa

Income rose $25 million, or 3 per cent, to $878 million. On a constant currency basis income rose 11 per cent. Client income, however, fell 3 per cent on a headline basis. Transaction Banking fell due to compressed Cash Management margins and lower Trade balances, and FM income was impacted by lower FX spreads and reduced Rates volumes. Lending income also fell due to repayments and exiting low return exposures. This was partly offset by increased income from CCPL income on the back of higher balances and improved Cards margins. Unsecured lending across the region is primarily driven by payroll-linked accounts. Income from Mortgages also rose as margins and balances grew. Nigeria continues to be the largest C&I revenue engine in Africa and Kenya continues to be the largest generator of Retail income. Own account income grew primarily due to increased Principal Finance income.

Performance by geographic region and key countries continued

Operating expenses in Africa were higher by $46 million, or 11 per cent, to $467 million. On a constant currency basis, expenses rose 20 per cent primarily due to flow through of prior year investments together with investments in developing new markets.

Loan impairment increased to $94 million, up $19 million due to a small number of exposures.

Operating profit fell 11 per cent, down $40 million to $317 million. On a constant currency basis, profit fell 4 per cent.

The Americas and Europe regions act as a two-way bridge, leveraging capabilities within these regions to support our clients' cross-border needs in Asia, Africa and the Middle East.

Americas

Income fell $29 million, or 7 per cent, to $414 million. Client income was flat despite increased client activity and higher volumes in Trade and Cash Management and across FX products in FM. FM income fell as a result of lower income from Rates, which was affected by low volatility and reduced bid-offer spreads, and Commodities and Equities, reflecting lower commodity prices. This was partly offset by improved FX income as increased volumes helped offset spread compression. Own account income fell, primarily as market conditions impacted FX income. This was partly offset by improved ALM income on higher reinvestment yields.

Operating expenses were $22 million, or 8 per cent, higher at $300 million primarily due to increased compliance and regulatory costs.

Operating profit fell $44 million, or 28 per cent to $114 million.

Europe

Income was down $51 million, or 7 per cent to $653 million.

Client income fell 2 per cent due to weaker demand for FM products as a result of low levels of market volatility reducing client hedging requirements and investment opportunities. While volumes in FX and Rates grew strongly, this was more than offset by significant spread compression. Corporate Finance income also fell on the back of repayments and lower deal volumes. This was partly offset by a rise in Transaction Banking income as balances grew and margins improved. Lending income was lower as balances reduced as we managed down low return exposures. Income from Wealth Management and Retail products provided to Private Banking clients was broadly flat. Own account income fell, impacted by difficult market conditions, although ALM income rose as we deployed surplus liquidity.

Operating expenses rose $20 million, or 5 per cent, to $399 million partly due to costs incurred to exit our Private Banking operations in Geneva. Expenses in H2 2013 included the cost of the UK bank levy of $235 million.

Loan Impairment was higher by $23 million to $28 million. Other impairment increased $88 million to $87 million as a result of impairments on certain strategic and associate investments.

Operating profit fell by $183 million to $139 million.

Group summary consolidated balance sheet

	30.06.14 $million	30.06.13 $million	31.12.13 $million	H1 2014 vs H1 2013 $million	H1 2014 vs H2 2013 $million	H1 2014 vs H1 2013 %	H1 2014 vs H2 2013 %
Assets							
Cash and balances at central banks	**62,182**	57,621	54,534	4,561	**7,648**	8	**14**
Loans and advances to banks[1]	**91,420**	74,880	86,169	16,540	**5,251**	22	**6**
Loans and advances to customers[1]	**305,061**	291,793	296,015	13,268	**9,046**	5	**3**
Investment securities[1]	**127,456**	114,932	124,277	12,524	**3,179**	11	**3**
Derivative financial instruments	**48,105**	54,548	61,802	(6,443)	**(13,697)**	(12)	**(22)**
Other assets	**55,914**	56,183	51,583	(269)	**4,331**	-	**8**
Total assets	**690,138**	649,957	674,380	40,181	**15,758**	6	**2**
Liabilities							
Deposits by banks[1]	**50,375**	45,390	44,526	4,985	**5,849**	11	**13**
Customer accounts[1]	**390,523**	380,785	390,971	9,738	**(448)**	3	**-**
Debt securities in issue[1]	**80,324**	65,524	71,412	14,800	**8,912**	23	**12**
Derivative financial instruments	**47,785**	53,781	61,236	(5,996)	**(13,451)**	(11)	**(22)**
Subordinated liabilities and other borrowed funds	**24,691**	18,393	20,397	6,298	**4,294**	34	**21**
Other liabilities[1]	**47,878**	40,726	38,997	7,152	**8,881**	18	**23**
Total liabilities	**641,576**	604,599	627,539	36,977	**14,037**	6	**2**
Equity	**48,562**	45,358	46,841	3,204	**1,721**	7	**4**
Total liabilities and shareholders' funds	**690,138**	649,957	674,380	40,181	**15,758**	6	**2**

[1] Includes balances held at fair value through profit or loss

Balance sheet

Unless otherwise stated, the variance and analysis explanations compare the position as at 30 June 2014 with the position as at 31 December 2013.

The Group's balance sheet remains resilient and well diversified. We continue to be highly liquid and primarily deposit funded, with an advances to deposits ratio of 78.1 per cent, up from the previous year-end position of 75.7 per cent. We continue to be a net lender into the interbank market, particularly in Hong Kong, Singapore and within the Americas and Europe regions. The Group's funding structure remains conservative, with limited levels of refinancing over the next few years.

The Group remains well capitalised although our Common Equity Tier 1 ratio fell to 10.5 per cent from 10.9 per cent at the year end primarily due to the timing of dividend payments and higher risk-weighted assets.

The profile of our balance sheet remains stable, with over 70 per cent of our financial assets held at amortised cost, and 58 per cent of total assets have a residual maturity of less than one year. The Group continues to have low exposure to problem asset classes.

Balance sheet footings grew by $16 billion, or 2 per cent, during this period, and we continued to see good growth in customer lending.

Cash and balances at central banks

Cash balances rose by $7.6 billion reflecting higher surplus liquidity and we continue to hold substantial balances with central banks.

Loans and advances to banks and customers

Loans to banks and customers, grew by $14 billion, or 4 per cent, to $396 billion.

Loans to C&I and Commercial clients are well diversified by geography and client segment and the business continued to strengthen its existing client relationships, growing customer advances by $7 billion, or 4 per cent, to $186 billion. Lending increased in Hong Kong, up 13 per cent, and Singapore, up 6 per cent, driven by the continued ability of these geographies to support cross border business originating across the network. Growth was also seen across a broad range of industry sectors, reflecting increased trade activity and a continued focus on commerce, manufacturing and mining sectors which make up over 55 per cent of customer lending.

Loans to banks increased 6 per cent, with balances in Korea up 24 per cent, reflecting placement of surplus liquidity, and Europe up 9 per cent, reflecting its role as a bridge between the West and our footprint markets.

Lending to Retail and Private Banking clients rose $1.8 billion to $119 billion. 79 per cent is fully secured and the mortgage book continued to be conservatively placed, with an average loan to value ratio of 49.6 per cent. Mortgage balances rose by $1.6 billion, primarily in Hong Kong, while increasing levels of regulatory restrictions and intensifying competition impacted growth in other markets. Although we continued to see good demand for Card based products, CCPL balances fell $2 billion as we derisked Personal Loan portfolios in a number of markets and in Korea in particular.

Investment securities

Investment securities rose by $3.2 billion as we re-positioned our liquid assets, reducing holdings of Treasury Bills and increasing investments in highly rated corporate debt securities in line with the eligibility criteria for liquid asset buffers. The maturity profile of these assets is largely consistent with prior periods, with around 43 per cent of the book having a residual maturity of less than twelve months. Equity investments also reduced as we realised a number of Principal Finance investments.

Derivatives

Customer appetite for derivative transactions has reduced reflecting low levels of volatility in the market which has reduced client hedging needs. Notional values increased since the last year end reflecting a higher volume of short-dated transactions with Financial Institutions as a result of lower levels of volatility. Unrealised positive mark-to-market positions were $13.7 billion lower at $48 billion. Our risk positions continue to be largely balanced, resulting in a corresponding reduction in negative mark to market positions. Of the $48 billion mark to market positions, $34 billion was available for offset due to master netting agreements.

Deposits

Customer accounts were broadly flat to the end of 2013 while deposits by banks increased 13 per cent, or $6 billion, largely due to higher clearing balances. Customer deposits fell across the Greater China region as we exited higher cost Time Deposits while CASA remained broadly stable. This was offset by growth in Singapore, where we increased corporate term deposits and built up retail CASA balances, and in the Americas region reflecting higher clearing balances. CASA continued to be core of the customer deposit base, constituting over 50 per cent of customer deposits.

Debt securities in issue, subordinated liabilities and other borrowed funds

We continued to see good demand for our name across debt instruments. Subordinated liabilities rose $4.3 billion, as we replaced maturing debt, including the issuance of a 30 year instrument. Debt securities in issue grew by $9 billion, primarily in Short-dated certificates of deposit.

Equity

Total shareholders' equity was $1.7 billion higher at $48.6 billion reflecting profit accretion for the period, partly offset by dividend payments (net of scrip) of $0.7 billion.

The following parts of the Risk review form part of the financial statements: 'Regulatory compliance, review, requests for information and investigations' and 'Risk of fraud and other criminal acts' on pages 27 and 28. From the start of the 'Risk management' section on page 28 to the end of the 'Pension risk' section on page 82. Excluding: Asset Backed Securities, page 60, Encumbered assets, page 71 and Liquidity coverage ratio and Net stable Funding ratio, page 76.

Risk overview

Standard Chartered has a defined risk appetite, approved by the Board, which is an expression of the amount of risk we are prepared to take and plays a central role in the development of our strategic plans and policies. Our overall risk appetite has not changed. We regularly assess our aggregate risk profile, conduct stress tests and monitor concentrations to ensure that we are operating within our approved risk appetite. Further details on our approach to risk appetite and stress testing are set out on page 30.

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. During the first half of 2014, we maintained a cautious stance overall, whilst continuing to support our core clients. We selectively reduced certain Retail unsecured portfolios, principally in Korea. Credit risk management is covered in more detail on page 31.

Our balance sheet and liquidity have remained strong. Over half of total assets mature within one year and of these approximately 70 per cent mature within three months. The balance sheet is highly diversified across a wide range of products, industries, geographies and customer segments, which serves to mitigate risk:

- Customer loans and advances are 44 per cent of total assets, which is unchanged since December 2013
- The Manufacturing sector in the Corporate and Institutional and Commercial client segments, which is 25 per cent of lending and unchanged since December 2013, remains diversified by industry and geography
- The largest concentration to any globally correlated industry is to energy at 20 per cent of total Corporate and Institutional and Commercial clients assets, which is slightly below 21 per cent at the year end. The exposure is well spread across six subsectors and over 370 client groups and, reflecting the trade bias in the portfolio, 57 per cent of these exposures mature within one year
- 66 per cent of loans and advances to customers in the Corporate and Institutional and Commercial client segments mature in under one year, which has increased compared to December 2013.
- Our top 20 corporate exposures continue to be highly diversified, with each, on average, spread across seven markets and six industries
- Our cross-border asset exposure is also diversified and reflects our strategic focus on our core markets and customer segments. Further details are set out on page 63
- 39 per cent of customer loans and advances are in Retail products; 79 per cent of these are fully secured and the overall loan to value ratio on our mortgage portfolio is less than 50 per cent, compared with 78 per cent and 50 per cent at the end of 2013 respectively
- The unsecured Retail products portfolio is spread across multiple products in over 30 markets

We have low exposure to asset classes and segments outside our core markets and target customer base. We have no direct sovereign exposure (as defined by the European Banking Authority (EBA)) to Greece, Ireland, Italy, Portugal or Spain. Our exposure in these countries is primarily in trade finance and financial markets. Further details of our eurozone exposures are given on page 62. Our exposure to countries impacted by the political developments in the Middle East and North Africa are also low. Exposures in Iraq, Syria, Jordan, Lebanon, Egypt, Libya, Algeria and Tunisia represent less than 0.5 per cent of our total assets. Our exposure to Russia and Ukraine is very low. It represents less than 0.05 per cent of our total assets.

Our exposures to commercial real estate and leveraged loans account for 2 per cent and 1 per cent of our total assets respectively. The notional value of the Asset Backed Securities (ABS) portfolio, which accounts for 1 per cent of our total assets increased by $1.9 billion in 2014 due to investments in high quality, senior ABS and Residential Mortgage Backed Securities (RMBS) assets held in the Group's portfolio of marketable securities. Further details are given on page 60.

We have closely managed our exposures in markets and sectors which have faced downturns during the first half of 2014, increasing collateral cover and selectively reducing exposures and limits.

Market risk is tightly monitored using Value at Risk (VaR) methodologies complemented by sensitivity measures, gross nominal limits and loss triggers at a detailed portfolio level. This is supplemented with extensive stress testing which takes account of more extreme price movements. Our overall average trading book market risk has risen during the first half of 2014 by 21 per cent compared to the second half of 2013 and by 12 per cent compared to the first half of 2013 in terms of value at risk. Further details on market risk are given on page 64.

We maintained a strong advances-to-deposits ratio in the first half of 2014. Liquidity continues to be deployed to support growth opportunities in our chosen markets. We manage liquidity in our branches and operating subsidiaries in each country, ensuring that we can meet all short-term funding and collateral requirements and that our balance sheet remains structurally sound. Our customer deposit base is diversified by type and maturity and we are a net provider of liquidity to the interbank money markets. We have a substantial portfolio of marketable securities that can be realised in the event of liquidity stress. Further details on liquidity are provided on pages 69 to 80.

We continue to engage actively with our regulators, including the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA), the Bank of England (BoE) and our 'host' regulators in each of the markets in which we operate.

We have a well-established risk governance structure, which is set out on page 29, and an experienced senior team. Members of our most senior executive body (the Court) sit on our principal risk executive committees, which ensure that risk oversight is a strong focus for all our executive directors, while common membership between these committees helps us address the inter-relationships between risk types. Board committees provide additional risk management oversight and challenge.

We continue to build on the Group's culture of risk management discipline. We recognise that failures of regulatory compliance have damaged the Group's reputation, and continue to pay close attention to this. We have continued to reinforce our values and our brand promise, in part through continued emphasis on the Group's Code of Conduct. The management of operational risk, more broadly, continues to be enhanced as we incrementally roll out our new approach across all areas of the Group. We are introducing increased rigour in the process for anticipating a wide variety of operational risks and in our assessments of risks and control effectiveness. Operational risk and reputational risk are covered in more detail on pages 81 to 82.

Impairment review

The total loan impairment charge for H1 2014 has increased by $116 million, or 16 per cent, to $846 million compared to H1 2013. This represents 55 basis points of total customer net loans and advances.

In Retail Clients, total loan impairment provisions have remained flat as the increase in Korea Personal Debt Rehabilitation Scheme (PDRS) filings has been offset by lower provision requirements in ASEAN. Portfolio impairment provisions also reduced as we reduced high risk personal loans exposure. We remain disciplined in our approach to risk management and proactive in our collection efforts to minimise account delinquencies.

In Corporate and Institutional Clients, total loan impairment provisions on balance sheet have increased by $206 million, or 11 per cent, compared to 31 December 2013. This was concentrated in a few names in Greater China and Africa. Loan impairment for Corporate and Institutional Clients represents 32 basis points of customer net loans and advances and remains in line with the range of our experience since 2009. The credit quality of the portfolio remains high in spite of the volatility in commodity prices and currencies.

Further details of credit risk in respect of the Group's loans portfolio is set out on pages 31 to 58.

Other impairment, excluding goodwill impairment, has increased by $174 million to $185 million reflecting the write-down of commodity assets arising from a fraud in Greater China and certain strategic and associate investments.

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 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 funding for our business. All these factors may impact our performance.

The world economy is coming out of a difficult period and, although the rate of growth is increasing, uncertainty remains. The unwinding of the US Federal Reserve's quantitative easing programme could lead to higher interest rates, volatility in financial markets and capital flight from emerging markets which may threaten the growth trajectory of some vulnerable economies. A slowdown in China's growth may depress prices and trade in a number of commodity sectors such as energy, metals and mining sectors, and a prolonged slowdown could have wider economic repercussions.

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 new structural reform (see additional information on the risk of redenomination on page 61).

Our exposure to eurozone sovereign debt is very low. However, 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 are already employing 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, client and customer segments. This provides for strong resilience against economic shocks in one or more of our portfolios.

Regulatory changes

Our business as an international bank will continue to be subject to an evolving and complex regulatory framework comprising legislation, regulation and codes of practice, in each of the countries in which we operate. A key uncertainty relates to the way in which governments and regulators adjust laws, 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 run counter to our strategic interests. Some are anticipated to have a significant impact, such as changes to capital and liquidity regimes, changes to the calculation of risk-weighted assets, derivatives reform, remuneration reforms, recovery and resolution plans, banking structural reforms in a number of markets, (including proposals which could result in (i) deposit-taking entities being ring-fenced from Corporate and Institutional Clients activities and (ii) local branches of international banking groups being subsidiarised), the UK bank levy and the US Foreign Account Tax Compliance Act. In relation to the banking structural reforms, the European Commission has published a legislative proposal for a regulation introducing structural reforms to the EU banking sector, including a prohibition on proprietary trading and separation powers for supervisors relating to banks' other trading activities. Uncertainty remains regarding details of the application of the European Union's Capital Requirements Directive and Regulation (CRD IV), the proposed Bank Recovery and Resolution Directive (BRRD) and Over the Counter (OTC) derivative reforms across our markets which could potentially have a material impact on the Group and its business model. Proposed changes could also 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. Despite these concerns, we remain a highly liquid and well capitalised bank under current and currently published future regimes.

It is in the wider interest to have a well run financial system, and we are supportive of a tighter regulatory regime that enhances the resilience of the international financial system. The

Group will continue to participate in the regulatory debate through responses to consultations and working towards an improved and workable regulatory architecture. We are also encouraging our international regulators to work together to develop co-ordinated approaches to regulating and resolving cross-border banking groups. We support changes to laws, regulations and codes of practice that will improve the overall stability of, and the conduct within, the financial system because this provides benefits to our clients and shareholders and the broader geographies and markets in which we operate. However, we also have concerns that certain proposals may not achieve this desired objective and may have unintended consequences, either individually or in terms of aggregate impact.

Regulatory compliance, reviews, requests for information and investigations

Since the global financial crisis, the banking industry has been subject to increased regulatory scrutiny. There has been an unprecedented volume of regulatory changes and requirements, as well as a more intensive approach to supervision and oversight, resulting in an increasing number of regulatory reviews, requests for information and investigations, often with enforcement consequences, involving banks.

While the Group seeks to comply with the letter and spirit of all applicable laws and regulations at all times, it may 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. Where laws and regulations across the geographies in which the Group operates contradict each other or create conflicting obligations, the Group aspires to meet both local requirements and appropriate global standards.

In 2012 the Group reached settlements with the US authorities[1] regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services (NYSDFS), a Cease and Desist Order by the Federal Reserve Bank of New York (FRBNY), Deferred Prosecution Agreements with each of the Department of Justice and the District Attorney of New York (each a DPA) and a Settlement Agreement with the Office of Foreign Assets Control. In addition to the civil penalties totalling $667 million, the terms of these settlements (together the '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 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 workstreams designed to ensure compliance with the remediation requirements contained in all of the settlements. The Group has established a Financial Crime Risk Mitigation Programme (FCRMP), which is a comprehensive, multi-year programme designed to review many aspects of the Group's existing approach to anti-money laundering and sanctions compliance and to enhance them as appropriate. One key component of the FCRMP is to oversee and manage the SRP. 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.

[1] The US authorities comprise The New York Department of Financial Services (DFS), the Office of Foreign Assets Control (OFAC), the New York County District Attorney's Office (DANY), the United States Department of Justice (DOJ) and the Federal Reserve (NYFED)

The Group is engaged with all relevant authorities to implement these programmes and meet the obligations under the Settlements and is responding to further requests for information and inquiries related to its historic, current and future compliance with the relevant sanctions and AML regimes of all jurisdictions in which it operates.

As a result of its ongoing reviews and continuing engagement with US authorities, the Group believes that the term of the DPAs is likely to be extended. (The DPAs provide that if the Group fulfils all the requirements imposed by the DPAs, the applicable charges against the Group will be dismissed at the end of their applicable term.)

Separately, certain issues have been identified with respect to the Group's post-transaction surveillance system, which is part of its anti-money laundering systems and controls and is separate from the Group's sanctions screening systems. The Group is engaged in discussions with NYSDFS and the Monitor with respect to those issues and their ongoing remediation. The Group believes that the resolution of these issues is likely to involve an enforcement action by the NYSDFS that would include an extension of the term of the Monitor beyond the original two-year term, a monetary penalty and remedial actions.

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, is and will remain a focus of the relevant authorities.

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 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 co-operating with all relevant ongoing reviews, requests for information and investigations. While the Group seeks to comply with the letter and spirit of all applicable laws and regulations, 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.

For further details on legal and regulatory matters refer to note 31 on page 147.

Financial markets dislocation

There is a risk that a sudden financial market dislocation, perhaps as a result of a tightening of monetary policy in the major economies, a deterioration of the sovereign debt crisis in the eurozone, or a geopolitical event could significantly increase general financial market volatility which could affect our performance or the availability of capital or liquidity. In addition, reduction of monetary intervention by the US Federal Reserve, or other central banks, could disrupt external funding for some economies leading to lower growth and financial markets volatility. These factors may have an impact on the mark-to-market valuations of assets in our available-for-sale and trading portfolios. The potential losses incurred by certain clients holding derivative contracts during periods of financial market volatility could also lead to an increase in disputes and corporate defaults. At the same time, financial market instability could cause some financial institution counterparties to experience tighter liquidity conditions or even fail. There is no certainty that Government action to reduce the systemic risk will be successful and it may have unintended consequences.

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 closely monitor the performance of our financial institution counterparties and adjust our exposure to these counterparties as necessary. We maintain robust processes to assess the appropriateness and suitability of products and services we provide to clients and customers to mitigate the risk of disputes.

Geopolitical events

We operate in a large number of markets around the world, and our performance is in part reliant on the openness of cross-border trade and capital flows. We face a risk that geopolitical tensions or 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 geopolitical events such as in Ukraine, the Middle East and territorial disputes in North East Asia. We conduct stress loss tests of the impact of extreme but plausible geopolitical events on our performance and the potential for such events to jeopardise our ability to operate within our stated risk appetite. Further details on stress testing are given on page 30.

Risk of fraud and other criminal acts

The banking industry has long been a target for third parties seeking to defraud, to disrupt legitimate economic activity, or to facilitate other illegal activities. Concerns about cyber risk have risen significantly, driven in part by geopolitical events. Cyber crime risks include fraud, vandalism and damage 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.

We seek to be vigilant to the risk of internal and external crime in our management of people, processes, systems and in our dealings with customers and other stakeholders. The Group has implemented a range of cyber 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 use third parties where appropriate to further protect, test, validate and strengthen our defences.

We actively collaborate with our peers, regulators and other expert bodies as part of our response to this risk.

The Group's controls to address money laundering risks are under review as part of the Group's Financial Crime Risk Mitigation Programme, referred to in the section headed "Regulatory compliance, reviews, requests for information and investigations" above.

Fraud and criminal activity may also give rise to litigation impacting the Group. In December 2008 Bernard Madoff confessed to running a Ponzi scheme through Bernard L. Madoff Investment Securities, LLC (BMIS). American Express Bank (AEB), acquired by the Group in February 2008, had provided clients with access to funds that invested in BMIS. BMIS and the funds are in liquidation. Certain clients have brought actions against the Group in various jurisdictions seeking to recover losses based principally on the assertion that inadequate due diligence was undertaken on the funds. In addition, the BMIS bankruptcy trustee and the funds' liquidator have commenced proceedings against the Group, seeking to recover sums paid to clients when they redeemed their investments prior to BMIS' bankruptcy. There is a range of possible outcomes in the litigation described above, with the result that it is not possible for the Group to estimate reliably the liability that might arise. However, the Group considers that it has good defences to the asserted claims and continues to defend them vigorously.

For further details on legal and regulatory matters refer to note 31 on page 147.

Exchange rate movements

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

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

The table below sets out the period end and average currency exchange rates per US dollar for India, Korea, Indonesia and Taiwan for the first half of 2014 and the half year periods ending 30 June 2013 and 31 December 2013. These are the markets for which currency exchange rate movements have had the greatest translation impact on the Group's results in the first half of 2014.

	6 months Ended 30.06.2014	6 months Ended 30.06.2013	6 months Ended 31.12.2013
Indian rupee			
Average	**60.77**	54.95	62.35
Period end	**60.16**	59.35	61.77
Korean won			
Average	**1,049.48**	1,103.21	1,080.16
Period end	**1,011.73**	1,141.76	1,055.08
Indonesian rupiah			
Average	**11,689.54**	9,771.52	11,286.33
Period end	**11,855.50**	9,925.00	12,164.29
Taiwan dollar			
Average	**30.23**	29.65	29.75
Period end	**29.89**	30.01	29.84

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

Risk management

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

Risk management framework

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

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

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

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

Risk governance

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

Acting within an authority delegated by the Board, the Board Risk Committee (BRC), whose membership is comprised exclusively of 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 appetite and makes recommendations thereon to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material acquisitions and disposals, and monitoring the activities of the Group Risk Committee (GRC) and Group Asset and Liability Committee (GALCO).

The BRC receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. The BRC also conducts "deep dive" reviews on a rolling basis of different sections of the consolidated group risk information report.

The Brand and Values Committee (BVC) oversees the brand, culture, values and good reputation of the Group. It seeks to ensure that the management of reputational risk is consistent with the risk appetite approved by the Board and with the creation of long term shareholder value.

The role of the Audit Committee is to have oversight and review of financial, audit and internal control issues. Further details on the role of the Board and its committees in matters of risk governance are covered in the Corporate Governance section in the Group's Annual Report.

Overall accountability for risk management is held by the Standard Chartered Bank Court (the Court) which comprises the group executive directors and other senior executives 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 GRC and the GALCO.

The GRC is responsible for the management of all risks other than those delegated by the Court to the GALCO. The GRC 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 GRC also defines our overall risk management framework.

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

GRC and GALCO are essentially unchanged following the changes to the Group's organisation structure, although the committee structures below them have changed significantly in some areas. The previous divisional risk committee structures have been combined to achieve better integration and alignment to the new organisational model.

Members of the GRC and the GALCO are both drawn from the Court. The GRC is chaired by the Group Chief Risk Officer (GCRO). The GALCO is chaired by the Group Finance Director. Risk limits and risk exposure approval authority frameworks are set by the GRC in respect of credit risk, country cross-border risk, market risk and operational risk. The GALCO sets the approval authority framework in respect of liquidity risk. Risk approval authorities may be exercised by risk committees or authorised individuals.

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

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

- 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: This comprises the risk control owners, supported by their respective control functions. Risk control owners are responsible for ensuring that the risks within the scope of their responsibilities remain within appetite. The scope of a risk control owner's responsibilities is defined by a given risk type and the risk management processes 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 (GIA) function. Its role is defined and overseen by the Audit Committee

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

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

The Risk function

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

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 ensures that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with the Group's standards and risk appetite
- 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 appetite

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

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

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

Our quantitative risk profile is assessed through a bottom-up analytical approach covering all of our major businesses, countries and products. It is also assessed against a range of exposure concentration thresholds.

The Group's risk appetite statement is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix.

The Group will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns.

The GRC and GALCO are responsible for ensuring that our risk profile is managed in compliance with the risk appetite set by the Board. The BRC advises the Board on the risk appetite statement and oversees that the Group remains within it.

Stress testing

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

Our stress testing framework is designed to:

- Contribute to the setting and monitoring of risk appetite
- Identify key risks to our strategy, financial position, and reputation
- Establish the adequacy of capital and liquidity resources
- Support the development of mitigating actions and contingency plans including business continuity
- Meet regulatory requirements.

Our stress testing activity focuses on the potential impact of market, macroeconomic, geopolitical and physical events on relevant geographies, customer segments and asset classes. Stress tests are performed at Group, country and business level and bespoke scenarios are applied to our market risk positions.

Group level stress testing has covered a considerable range of macroeconomic scenarios. These included the effects of a major downturn in world trade, severe economic stress in emerging markets including a slump in emerging markets exports, sharp appreciation and depreciation in currencies, and the tapering of quantitative easing. Stress testing at business level covered a range of scenarios including the impact of foreign exchange depreciation or appreciation, sustained falls in base metals and energy prices and significant changes in interest rates.

At country level, a number of portfolio reviews were also undertaken, covering the effects of stress on a range of industry sectors, including the shipbuilding, banking, real estate, telecoms, mining and renewable energy sectors.

Market risk and liquidity stress tests are also carried out regularly as described in the sections on market risk on page 64 and liquidity risk on page 69.

In addition, the Financial Policy Committee of the Bank of England has introduced a new stress test of the banking system, focused on the eight largest UK banks, which includes the Group. Banks have been asked to project their performance under a three-year common stress scenario which has been designed by the European Banking Authority. The Group expects that the results of the BoE stress test will be used by the PRA to inform the setting of a bank's revised Capital Planning Buffer (CPB). See Capital management section on page 83.

Credit risk management

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 (CRC), which receives its ultimate authority from the GRC, 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 CRC 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 GRC, 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 the 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 judgment and experience, in informing risk taking and portfolio management decisions.

Since 1 January 2008, Standard Chartered has used the advanced Internal Ratings Based (IRB) approach under the Basel II regulatory framework to calculate credit risk capital requirements.

A standard alphanumeric credit risk grade (CG) system for Corporate, Institutional 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. Credit grades 1 to 12 are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted customers. An analysis by credit grade of those loans that are neither past due nor impaired is set out on page 44.

For Retail client IRB portfolios, we use application and behaviour credit scores which are calibrated to generate a probability of default and then mapped to the standard alphanumeric credit risk grade system.

Our credit grades are not intended to replicate external credit grades (where these are available), and ratings assigned by external ratings agencies or credit bureaus are not used in determining our internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency or credit bureau is typically assigned a worse internal credit grade.

Advanced IRB 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.

IRB risk measurement models are approved by the Credit Risk Committee, on the recommendation of the Credit Model Assessment Committee (MAC). The Credit MAC 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 MAC, 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.

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 (CAC). The CAC is appointed by the CRC and derives its credit approving authority from the GRC.

All other credit approval authorities are delegated by the GRC to individuals based both on their judgment 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. In those very few exceptions where they are not, originators can only approve limited exposures within defined risk parameters.

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 senior credit officer or authorised bodies. An analysis of the loan portfolio is set out on pages 38 to 58.

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 for 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 CRC and reported to GRC and BRC.

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, Commercial and Private Banking past due accounts are managed by GSAM.

For retail and small business client exposures, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and is 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.

Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and 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.

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

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types.

These policies set out the clear criteria that must be satisfied if the mitigation is to be considered effective:

- Excessive exposure to any particular risk mitigants or counterparties should be avoided. Collateral concentration mitigation standards are maintained at both the portfolio and counterparty level;
- Risk mitigants should not be correlated with the underlying assets such that default would coincide with a lowering of the forced sale value of the collateral;
- Where there is a currency mismatch, haircuts should be applied to protect against currency fluctuations;
- Legal opinions and documentation must be in place; and
- Ongoing review and controls exist where there is a maturity mismatch between the collateral and exposure.

For all credit risk mitigants that meet the policy criteria, a clear set of procedures are applied to ensure that the value of the underlying collateral is appropriately recorded and updated regularly.

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. Standard Chartered 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 and an active secondary resale market must exist for the collateral. 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.

For certain types of lending – typically mortgages, asset financing – 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 risk mitigation policy, which prescribes both the process of valuation and the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. 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 and against all risks, with the Group as the loss payee under the insurance policy.

Where appropriate, collateral values are 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 bank guarantees, 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 is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

The Group uses bilateral and multilateral netting to reduce presettlement and settlement counterparty risk. Pre-settlement 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 IAS 32, derivative exposures are presented on a net basis in the financial statement 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 37.

Securities

The portfolio limits and parameters for the underwriting and purchase of all pre-defined securities assets to be held for sale are approved by the Underwriting Committee. The Underwriting Committee is established under the authority of the CRC. 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.

Loan impairment

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 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 allowances 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 the model resulting in material adjustments to the carrying amount of loans and advances.

Retail Clients

Retail Clients product portfolios consist of a large number of comparatively small exposures, where it is impractical to assess each loan on an individual basis for impairment. The primary indicator of potential impairment in these portfolios is therefore delinquency. 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. For delinquency reporting purposes we follow industry standards measuring delinquency as of one, 30, 60, 90, 120 and 150 days past due. Impairment is measured against these buckets in two stages:

In the first stage we raise portfolio impairment provisions (PIP). These are calculated by applying expected loss rates to delinquency buckets. These are based on past experience of loss supplemented by an assessment of specific factors that affect each portfolio and that in particular aim to adjust historic data for current market conditions. Loss rates are generally calculated separately for each product in each country (either through the use of historical data or using proxies) and separate loss rates are used for renegotiated and forborne loans to reflect their increased risk. 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. (Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collections processes for this purpose). At the outset of delinquency therefore it is not possible to determine whether a loan is impaired; it is only possible to estimate the likelihood that it is. This is taken account of in the PIP method, which estimates loss by extrapolating past experience over whole portfolios, rather than analysing individual loans on a case by case basis.

In the second stage we are able to replace PIP with individual impairment provisions (IIP) as we develop more knowledge about each individual account. We apply IIP after the following number of days' delinquency:

- For mortgages after 150 days
- For secured wealth management products after 90 days
- For unsecured consumer finance loans after 90 days
- For all other unsecured loans and loans secured on automobiles, after 150 days

IIP is based on the estimated present values of future cashflows, in particular those resulting from the realisation of security. The days past due used to trigger IIP are driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability of recovery (other than by raising security as appropriate) is low. For all products there are certain situations where the IIP process is accelerated, such as in cases involving bankruptcy, customer fraud and death. IIP is also accelerated for all restructured accounts to 90 days past due (unsecured and automobile finance) and 120 days past due (secured loans) respectively.

Loan write off is again broadly driven by past experience of the point at which further recovery is unlikely. Write off occurs at the same time that IIP is established for all products except mortgage loans, which have not been restructured. The latter is fully impaired after 720 days past due.

The fact that it is not possible to be certain that a loan is impaired until several months after it becomes delinquent means that it is also not possible to be certain which delinquent loans are fully non-performing. The Group has determined that it is more likely than not that a loan is non-performing after 90 days and therefore uses 90 days delinquency as the distinguishing feature between performing and non-performing Retail Client loans. This is however, only an approximate measure and it also means that, for Retail Client portfolios, impaired loans do not equate to non-performing loans, because impairment cannot be generally determined on an individual basis until a later date.

It is inevitable that at the balance sheet date, the non-delinquent portfolio will include a few impaired loans that have not manifested themselves as delinquent. These are known as 'incurred, but not reported' losses. A PIP is raised against these by applying past experience adjusted for current conditions to non-delinquent loans on a portfolio basis.

For further details on Retail Clients see page 38 to 58.

Corporate and Institutional, Commercial and Private Banking Clients

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

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

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

As with 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 historic loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The PIP methodology provides for accounts for which an individual impairment provision has not been raised.

For further details on Corporate and Institutional, Commercial and Private Banking Clients see page 38 to page 58.

Renegotiated and forborne 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 forborne 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 subset 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.

Retail Clients

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 (unsecured loans and automobile finance) or 120 days past due (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.

Corporate and 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 and 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 32.

Renegotiated and forborne loans are disclosed by client segments on page 44.

Restatement of prior periods

In January 2014, the Group announced a change to its organisation structure effective 1 April 2014. To aid historic comparisons the Group's half year results restate segmental information for 30 June and 31 December 2013 under the new client segments and global product groups, and the new geographic regions.

Credit portfolio

Maximum exposure to credit risk

The table below presents the Group's maximum exposure to credit risk for its on-balance sheet and off-balance sheet financial instruments at 30 June 2014, 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 exposure to credit risk is spread across our markets and is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any client or counterparty.

The Group's maximum exposure to credit risk has increased by $0.7 billion when compared to 31 December 2013. Loans and advances to banks and customers has increased by $14.3 billion since December 2013 due to growth in secured lending to banks and broad based growth across several industry sectors in the Corporate and Institutional Client segment. Further details of the loan portfolio are set out on page 38. Investment securities rose by $3.5 billion with the increase primarily in corporate bonds.

The Group's credit risk exposure before risk mitigation arising from derivatives decreased by $13.7 billion reflecting lower market volatility when compared to December 2013, despite higher volumes in several markets.

	30.06.14				30.06.13			
		Credit risk management				Credit risk management		
	Maximum exposure $million	Collateral $million	Master netting agreements $million	Net Exposure $million	Maximum exposure $million	Collateral $million	Master netting agreements $million	Net Exposure $million
On balance sheet								
Total loans and advances to banks and customers[1]								
As per balance sheet	386,533				358,658			
Included within fair value through profit and loss	9,948				8,015			
	396,481	157,118	-	239,363	366,673	141,628	-	225,045
Investment securities[2]								
As per balance sheet	100,907	-	-	100,907	94,812	-	-	94,812
Included within fair value through profit and loss	26,549	-	-	26,549	20,120	-	-	20,120
Less: Equity securities	(6,495)	-	-	(6,495)	(5,559)	-	-	(5,559)
	120,961	-	-	120,961	109,373	-	-	109,373
Derivative financial instruments[3]	48,105	3,961	34,437	9,707	54,548	3,241	37,379	13,928
Total balance sheet	565,547	161,079	34,437	370,031	530,594	144,869	37,379	348,346
Off balance sheet								
Contingent liabilities	45,382	-	-	45,382	47,594	-	-	47,594
Undrawn irrevocable standby facilities, credit lines and other commitments to lend[4]	59,083	-	-	59,083	59,835	-	-	59,835
Documentary credits and short term trade-related transactions	8,160	-	-	8,160	8,171	-	-	8,171
Forward asset purchases and forward deposits	26	-	-	26	852	-	-	852
Total off- balance sheet	112,651	-	-	112,651	116,452	-	-	116,452
Total	678,198	161,079	34,437	482,682	647,046	144,869	37,379	464,798

1 An analysis of credit quality is set out on page 44. Further details of collateral held by client segment and held for past due and individually impaired loans are set out on page 54

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

Credit Portfolio continued

	31.12.13			
		Credit risk management		
	Maximum exposure	Collateral	Master netting agreements	Net Exposure
	$million	$million	$million	$million
On balance sheet				
Total loans and advances to banks and customers[1]				
As per balance sheet	374,410			
Included within fair value through profit and loss	7,774			
	382,184	152,926	-	229,258
Investment securities[2]				
As per balance sheet	102,716	-	-	102,716
Included within fair value through profit and loss	21,561	-	-	21,561
Less: Equity securities	(6,800)	-	-	(6,800)
	117,477	-	-	117,477
Derivative financial instruments[3]	61,802	5,147	46,242	10,413
Total balance Sheet	561,463	158,073	46,242	357,148
Off balance sheet				
Contingent liabilities	46,938	-	-	46,938
Undrawn irrevocable standby facilities, credit lines and other commitments to lend[4]	61,277	-	-	61,277
Documentary credits and short term trade-related transactions	7,409	-	-	7,409
Forward asset purchases and forward deposits	459	-	-	459
Total off- balance sheet	116,083	-	-	116,083
Total	677,546	158,073	46,242	473,231

1 An analysis of credit quality is set out on page 46. Further details of collateral held by client segments and held for past due and individually impaired loans are set on page 54

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

Credit risk mitigation

In all segments, credit risk is mitigated to some degree through collateral, further details of which are set out on pages 54 to 58. Other forms of credit mitigation are set out below.

Loans and advances

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 $696 million (30 June 2013: $1,034 million; 31 December 2013: $779 million). The Group continues to recognise these assets in addition to the proceeds and related liability of $378 million (30 June 2013: $833 million; 31 December 2013: $502 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 71.

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $21.8 billion (30 June 2013: $21.8 billion; 31 December 2013: $21.4 billion). These credit default swaps are accounted for as guarantees as they meet the accounting requirements set out in IAS39. The Group continues to hold the underlying assets referenced in the credit default swaps as it continues to be exposed to related credit and foreign exchange risk on these assets.

Derivatives financial instruments

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 is in the counterparty's favour and exceeds an agreed threshold. The Group holds $2,123 million (30 June 2013: $3,241million; 31 December 2013: $3,068 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.

Loan portfolio

Client segment by geographic region

The following pages provide detail of loans and advances to customers and loans to banks:

- By client segment, by geographic region (page 39)
- By industry/product, by geographic region (pages 40 to 41)
- By residual contractual maturity (page 42)

An analysis detailing the key points supplementing the above detail is set out below and is based on the booking location of the loan facility.

Loans and advances to customers (net of individual impairment and portfolio impairment provisions) grew by $9.0 billion since December 2013.

This was primarily within the Corporate and Institutional (C&I) segment which contributed $7.5 billion, across Greater China, ASEAN and Americas. The Commercial Client segment loan book was flat to December 2013 as we focused on driving RWA efficiencies and optimising capital usage across this portfolio following the reorganisation.

The Private Banking Client segment grew by $1.0 billion from December 2013 primarily through its operations in Singapore and Hong Kong.

The Retail Clients segment was marginally up compared to December 2013 and was reflective of our decision to de-risk the 'Card, Personal Loans (CCPL) and other unsecured lending' book primarily in North East Asia. This was largely offset by growth in secured lending especially in Hong Kong.

The geographic split also provides an industry and product split. The growth in this period was largely in financing, insurance and business services. This was driven by increased trade finance volumes, in particular with financial institutions counterparties. In addition the Greater China region also saw a higher level of leveraged finance and IPO financing transactions. Other industry concentrations are broadly consistent period on period.

For the Private Banking and Retail client segments, client loans are analysed by product. The reduction in unsecured lending, which includes CCPL, was largely offset by growth in Mortgages, especially in Hong Kong although regulatory cooling measures in several markets tempered the related growth opportunities.

The Corporate and Institutional and Commercial Client segments remain predominantly short term. The C&I customer loan book has 65 per cent (30 June 2013: 65 per cent and 31 December 2013: 64 per cent) of loans maturing in less than one year. Likewise, the Commercial Clients book has 76 per cent (30 June 2013: 70 per cent and 31 December 2013: 71 per cent) of its loans maturing in less than one year.

The Private Banking Clients loan book also demonstrates a short term bias typical of secured wealth management lending secured on wealth management assets.

The Retail Clients loan book continues to be longer term in nature as Mortgages constitute a large majority at 82 per cent (30 June 2013: 82 per cent; 31 December 2013: 82 per cent) of the loan book.

The growth in loans to banks of $5.3 billion since December 2013 is primarily across Greater China, ASEAN and Europe driven in part by liquidity management activity by virtue of our RMB leadership position. Given the nature of this book, it is predominantly short term and the maturity profile remains consistent period on period.

Overall, the loan portfolio continues to be well diversified geographically and by industry with a consistent maturity profile.

Client segment by geographic region continued

	30.06.14								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Corporate and Institutional	41,423	6,954	7,688	44,114	12,616	5,939	11,320	38,616	168,670
Commercial	6,341	3,150	2,479	2,916	1,512	665	-	610	17,673
Private banking	3,340	-	154	9,753	253	-	-	4,636	18,136
Retail	41,895	19,632	4,177	28,641	4,819	1,904	-	246	101,314
	92,999	29,736	14,498	85,424	19,200	8,508	11,320	44,108	305,793
Portfolio impairment provision	(142)	(105)	(65)	(173)	(69)	(65)	(6)	(107)	(732)
Total loans and advances to customers[1,2]	92,857	29,631	14,433	85,251	19,131	8,443	11,314	44,001	305,061
Intra-segmental balance	2,991	(5)	9,891	1,310	4,810	5,323	(37)	(24,283)	-
Total loans and advances to customers[1,3]	95,848	29,626	24,324	86,561	23,941	13,766	11,277	19,718	305,061
Total loans and advances to banks[1]	28,555	7,806	478	7,869	1,712	901	13,187	30,912	91,420

	30.06.13								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Corporate and Institutional	36,459	7,579	7,463	42,410	12,308	5,875	9,900	36,776	158,770
Commercial	5,799	3,212	2,317	3,274	1,236	658	-	884	17,380
Private banking	2,645	56	89	7,300	212	-	-	4,380	14,682
Retail	40,458	21,862	4,393	28,793	4,388	1,551	-	253	101,698
	85,361	32,709	14,262	81,777	18,144	8,084	9,900	42,293	292,530
Portfolio impairment provision	(151)	(124)	(58)	(147)	(118)	(68)	(4)	(67)	(737)
Total loans and advances to customers[1,2]	85,210	32,585	14,204	81,630	18,026	8,016	9,896	42,226	291,793
Intra-segmental balance	1,201	2	11,905	629	5,296	4,584	(610)	(23,007)	-
Total loans and advances to customers[1,3]	86,411	32,587	26,109	82,259	23,322	12,600	9,286	19,219	291,793
Total loans and advances to banks[1]	26,027	5,257	759	7,735	2,437	813	11,048	20,804	74,880

	31.12.13								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Corporate and Institutional	37,423	7,298	7,395	41,638	12,187	5,792	10,682	38,778	161,193
Commercial	6,406	3,109	2,340	3,249	1,274	672	-	791	17,841
Private banking	3,003	33	131	9,020	250	-	-	4,723	17,160
Retail	40,936	20,283	4,295	28,337	4,708	1,696	-	262	100,517
	87,768	30,723	14,161	82,244	18,419	8,160	10,682	44,554	296,711
Portfolio impairment provision	(146)	(107)	(64)	(154)	(74)	(67)	(5)	(79)	(696)
Total loans and advances to customers[1,2]	87,622	30,616	14,097	82,090	18,345	8,093	10,677	44,475	296,015
Intra-segmental balance	2,224	2	11,511	762	5,190	5,029	(248)	(24,470)	-
Total loans and advances to customers[1,3]	89,846	30,618	25,608	82,852	23,535	13,122	10,429	20,005	296,015
Total loans and advances to banks[1]	27,905	6,561	575	6,776	2,097	742	13,067	28,446	86,169

1 Amounts net of individual impairment provision and include financial instruments held at fair value through profit or loss (see note 12 on page 116)

2 The disclosures in the Risk review section are presented on the basis of booking location of the loan except for a small number of impaired loans which have been reallocated into the region in which they are managed to align with income statement presentation

3 The balances are based on the location of the customers

Loan Portfolio continued

Industry and Retail products analysis by geographic region

30.06.14	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Industry:									
Agriculture, forestry and fishing	137	7	131	1,303	158	467	365	251	2,819
Construction	523	477	668	611	1,332	141	26	354	4,132
Commerce	10,950	1,315	1,891	16,912	5,256	998	2,376	7,160	46,858
Electricity, gas and water	1,001	429	40	883	420	437	100	2,258	5,568
Financing, insurance and business services	9,925	667	609	5,741	1,735	717	3,091	8,062	30,547
Governments	251	-	3	1,347	140	99	-	430	2,270
Mining and quarrying	869	38	58	3,611	576	695	2,600	6,638	15,085
Manufacturing	14,550	4,068	4,571	8,069	2,544	2,231	2,359	9,089	47,481
Commercial real estate	6,451	1,975	1,650	4,114	1,265	48	-	781	16,284
Transport, storage and communication	2,901	740	440	3,631	694	743	403	3,969	13,521
Other	206	388	106	808	8	28	-	234	1,778
Retail Products:									
Mortgages	34,132	12,240	2,472	22,234	1,869	351	-	1,351	74,649
CCPL and other unsecured lending	7,491	5,291	1,011	5,235	1,883	1,343	-	246	22,500
Auto	-	1	44	790	324	5	-	-	1,164
Other	3,612	2,100	804	10,135	996	205	-	3,285	21,137
	92,999	29,736	14,498	85,424	19,200	8,508	11,320	44,108	305,793
Portfolio impairment provision	(142)	(105)	(65)	(173)	(69)	(65)	(6)	(107)	(732)
Total loans and advances to customers[1]	92,857	29,631	14,433	85,251	19,131	8,443	11,314	44,001	305,061
Total loans and advances to banks	28,555	7,806	478	7,869	1,712	901	13,187	30,912	91,420

30.06.13	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Industry:									
Agriculture, forestry and fishing	53	8	121	1,290	225	730	2,057	552	5,036
Construction	535	357	695	728	1,436	182	-	701	4,634
Commerce	10,547	1,248	1,660	16,933	4,833	915	826	4,969	41,931
Electricity, gas and water	699	393	67	938	341	239	438	2,085	5,200
Financing, insurance and business services	5,229	514	570	4,168	1,855	236	2,838	7,345	22,755
Governments	-	463	3	1,673	311	-	-	622	3,072
Mining and quarrying	993	24	202	3,659	657	791	2,107	8,086	16,519
Manufacturing	14,659	5,141	4,365	6,751	2,135	2,410	1,105	7,198	43,764
Commercial real estate	6,272	1,835	1,324	3,381	884	2	-	1,175	14,873
Transport, storage and communication	2,828	389	641	5,375	788	788	508	4,824	16,141
Other	443	419	132	785	80	240	21	104	2,224
Retail Products:									
Mortgages	32,485	13,867	2,337	21,753	1,621	277	-	1,459	73,799
CCPL and other unsecured lending	7,812	6,249	1,221	5,800	2,021	1,247	-	322	24,672
Auto	-	6	50	1,040	335	2	-	-	1,433
Other	2,806	1,796	874	7,503	622	25	-	2,851	16,477
	85,361	32,709	14,262	81,777	18,144	8,084	9,900	42,293	292,530
Portfolio impairment provision	(151)	(124)	(58)	(147)	(118)	(68)	(4)	(67)	(737)
Total loans and advances to customers[1]	85,210	32,585	14,204	81,630	18,026	8,016	9,896	42,226	291,793
Total loans and advances to banks	26,027	5,257	759	7,735	2,437	813	11,048	20,804	74,880

[1] The disclosures in the Risk review section are presented on the basis of booking location of the loan except for a small number of impaired loans which have been reallocated into the region in which they are managed to align with income statement presentation

Loan Portfolio continued

Industry and Retail products analysis by geographic region

	31.12.13								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Industry:									
Agriculture, forestry and fishing	88	7	110	1,090	176	570	329	454	2,824
Construction	515	436	685	548	1,565	150	16	418	4,333
Commerce	10,255	1,172	1,608	18,705	4,991	1,055	2,484	7,198	47,468
Electricity, gas and water	852	428	55	887	444	310	77	2,404	5,457
Financing, insurance and business services	6,241	761	524	3,292	1,714	331	2,001	7,917	22,781
Governments	141	22	24	974	313	-	105	144	1,723
Mining and quarrying	1,264	22	59	3,583	563	870	2,742	7,077	16,180
Manufacturing	14,701	4,582	4,237	7,125	1,998	2,112	2,139	8,179	45,073
Commercial real estate	6,605	2,087	1,435	3,730	1,007	11	-	1,327	16,202
Transport, storage and communication	2,798	472	879	3,926	678	736	789	4,163	14,441
Other	369	418	119	1,023	13	319	-	291	2,552
Retail Products:									
Mortgages	32,940	12,821	2,298	21,636	1,753	293	-	1,355	73,096
CCPL and other unsecured lending	7,672	5,586	1,161	5,617	2,102	1,399	-	271	23,808
Auto	-	1	44	914	321	4	-	-	1,284
Other	3,327	1,908	923	9,194	781	-	-	3,356	19,489
	87,768	30,723	14,161	82,244	18,419	8,160	10,682	44,554	296,711
Portfolio impairment provision	(146)	(107)	(64)	(154)	(74)	(67)	(5)	(79)	(696)
Total loans and advances to customers[1]	87,622	30,616	14,097	82,090	18,345	8,093	10,677	44,475	296,015
Total loans and advances to banks	27,905	6,561	575	6,776	2,097	742	13,067	28,446	86,169

[1] The disclosures in the Risk review section are presented on the basis of booking location of the loan except for a small number of impaired loans which have been reallocated into the region in which they are managed to align with income statement presentation

Loan portfolio continued

Maturity analysis by client segment

Over 60 per cent of our loans and advances to customers and banks are short-term having a contractual maturity of one year or less.

The following table presents the maturity profile by client segment:

	30.06.14			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate and Institutional	**195,051**	**53,453**	**11,588**	**260,092**
- Loans to banks	**85,970**	**5,377**	**75**	**91,422**
- Loans to customers	**109,081**	**48,076**	**11,513**	**168,670**
Commercial	**13,461**	**2,191**	**2,021**	**17,673**
Private Banking	**15,455**	**1,334**	**1,347**	**18,136**
Retail	**18,892**	**19,688**	**62,734**	**101,314**
	242,859	**76,666**	**77,690**	**397,215**
Portfolio impairment provision				**(734)**
Total loans and advances to banks and customers				**396,481**

	30.06.13			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate and Institutional	175,359	46,277	12,016	233,652
- Loans to banks	71,827	2,900	155	74,882
- Loans to customers	103,532	43,377	11,861	158,770
Commercial	12,220	2,574	2,586	17,380
Private Banking	12,877	376	1,429	14,682
Retail	18,386	20,877	62,435	101,698
	218,842	70,104	78,466	367,412
Portfolio impairment provision				(739)
Total loans and advances to banks and customers				366,673

	31.12.13			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate and Institutional	185,436	50,514	11,414	247,364
- Loans to banks	82,642	3,445	84	86,171
- Loans to customers	102,794	47,069	11,330	161,193
Commercial	12,627	2,653	2,561	17,841
Private Banking	14,664	1,145	1,351	17,160
Retail	19,106	19,979	61,432	100,517
	231,833	74,291	76,758	382,882
Portfolio impairment provision				(698)
Total loans and advances to banks and customers				382,184

Credit quality analysis

Pages 44 to 53 provide further details around the metrics and characteristics that the Group uses to monitor the quality of its loan portfolio. This includes disclosures relating to non-performing loans and those loans that have been renegotiated or are forborne.

A non-performing loan 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 forborne loans.

The definition and policies in respect of renegotiated and forborne loans is set out on page 34.

Credit quality

An overall breakdown of the loan portfolio by client segment is set out on pages 44 to 46, differentiating between the performing and non performing book.

Within the performing book, there is an analysis:

- By credit grade, which plays a central role in the quality assessment and monitoring of risk as explained in page 31 and 32
- 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 forborne accounts which have complied with their revised contractual terms for more than 180 days

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

This is followed by further analysis of credit quality by geography, together with the related impairment charges and provisions (page 47).

The key points supplementing the above analysis are as follows:

Performing loans that are neither past due nor impaired constitutes 96 per cent of customer loans and this is consistent with past periods (30 June 2013: 97 per cent; 31 December 2013: 96 per cent). Loans and advances to customers in grade 12 in the C&I segment increased by $3,410 million, primarily driven by loans to a connected group of companies that were renegotiated in 2013. Excluding this, the credit grade composition across all client segments is consistent with the prior period.

Loans and advances ‘past due but not impaired’ are similar to levels at the end of December 2013 and arise substantially in the ‘up to 30 days past due’ category. In the Retail client segment, these primarily relate to loans where there is a temporary timing difference in payments. In the C&I and Commercial segments, across all past due categories approximately 74 per cent of the amounts past due have been regularised by end July.

Non-performing loans (net of individual impairment provisions) are higher by $439 million. This increase is primarily in the C&I and Commercial client segments and is driven by a few small exposures in Africa and Europe. Details and further analysis around gross and net non-performing loans by client segment and by geography are provided on pages 48 to 50.

Renegotiated and forborne loans included in these amounts are consistent with the level seen as at December 2013.

A Portfolio Impairment Provision (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. PIP balances are up $36 million, largely in the C&I and Commercial Client segments. Further details around the policy and rationale underlying the determinant of the PIP are provided on pages 33 and 34.

As highlighted on page 37, collateral provides risk mitigation to some degree in all client segments and better supports the credit quality and cover ratio assessments post impairment provisions. Details in this regard are provided on pages 54 to 58.

In respect of loans to banks, the credit quality composition is consistent with prior periods with most of the growth in this period being in Credit Grade 1 to 5.

Credit quality analysis continued

By Client segment

	30.06.14					
		Loans to Customers				
	Loans to banks	Corporate and Institutional	Commercial	Private Banking	Retail Clients	Total
	$million	$million	$million	$million	$million	$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	82,594	65,908	1,566	3,273	57,697	128,444
- Grades 6-8	7,492	67,345	7,067	14,596	22,067	111,075
- Grades 9-11	1,154	24,016	7,635	90	16,218	47,959
- Grade 12	34	5,071	276	7	1,157	6,511
	91,274	162,340	16,544	17,966	97,139	293,989
of the above, renegotiated loans	-	*4,793*	*21*	-	*284*	*5,098*
Past due but not impaired						
- Up to 30 days past due	46	2,365	323	104	2,807	5,599
- 31 - 60 days past due	1	203	45	2	497	747
- 61 - 90 days past due	-	379	51	2	240	672
	47	2,947	419	108	3,544	7,018
of the above, renegotiated loans	-	*143*	*4*	-	*199*	*346*
Impaired forborne loans, net of provisions	-	600	9	-	149	758
Total performing loans	91,321	165,887	16,972	18,074	100,832	301,765
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	1	-	100	101
-121 - 150 days past due	-	-	16	-	88	104
	-	-	17	-	188	205
Individually impaired loans, net of provisions	101	2,783	684	62	294	3,823
of the above, forborne loans	-	*702*	*47*	-	*143*	*892*
Total non-performing loans, net of individual impairment	101	2,783	701	62	482	4,028
Total loans and advances	91,422	168,670	17,673	18,136	101,314	305,793
Portfolio impairment provision	(2)	(322)	(41)	(2)	(367)	(732)
Total net loans and advances	91,420	168,348	17,632	18,134	100,947	305,061

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

	Loans to banks	Corporate and Institutional	Commercial	Private Banking	Retail Clients	Total
Neither past due nor impaired						
- Grades 1-5	3,972	1,493	-	-	-	1,493
- Grades 6-8	124	3,426	-	-	-	3,426
- Grades 9-11	-	218	-	-	-	218
- Grade 12	-	431	-	-	-	431
	4,096	5,568	-	-	-	5,568
Past due but not impaired						
- Up to 30 days past due	-	2	-	-	-	2
Individually impaired loans	-	282	-	-	-	282

Credit quality analysis continued

	30.06.13					
		Loans to Customers				
	Loans to banks	Corporate and Institutional	Commercial	Private Banking	Retail Clients	Total
	$million	$million	$million	$million	$million	$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	64,889	65,654	1,111	3,693	54,053	124,511
- Grades 6-8	8,611	62,587	6,807	10,716	26,320	106,430
- Grades 9-11	1,195	25,685	8,183	106	15,003	48,977
- Grades 12	64	1,511	236	97	2,416	4,260
	74,759	155,437	16,337	14,612	97,792	284,178
of the above, renegotiated loans	-	*4,390*	*34*	*1*	*411*	*4,836*
Past due but not impaired						
- Up to 30 days past due	12	593	539	16	2,588	3,736
- 31 - 60 days past due	-	33	43	6	422	504
- 61 - 90 days past due	-	172	9	-	222	403
	12	798	591	22	3,232	4,643
of the above, renegotiated loans	-	-	-	-	-	-
Impaired forborne loans, net of provisions	-	418	1	-	135	554
Total performing loans	74,771	156,653	16,929	14,634	101,159	289,375
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	-	-	101	101
-121 - 150 days past due	-	-	6	-	71	77
	-	-	6	-	172	178
Individually impaired loans, net of provisions	111	2,117	445	48	367	2,977
of the above, forborne loans	-	*427*	*48*	-	*564*	*1,039*
Total non-performing loans, net of individual impairment	111	2,117	451	48	539	3,155
Total loans and advances	74,882	158,770	17,380	14,682	101,698	292,530
Portfolio impairment provision	(2)	(309)	(42)	(1)	(385)	(737)
Total net loans and advances	74,880	158,461	17,338	14,681	101,313	291,793

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	1,167	1,895	-	-	-	1,895
- Grades 6-8	408	3,801	-	-	-	3,801
- Grades 9-11	-	597	-	-	-	597
- Grade 12	-	147	-	-	-	147
	1,575	6,440	-	-	-	6,440
Past due but not impaired						
- Up to 30 days past due	-	-	-	-	-	-
Individually impaired loans	-	-	-	-	-	-

Credit quality analysis continued

	31.12.13					
		Loans to Customers				
	Loans to banks	Corporate and Institutional	Commercial	Private Banking	Retail Clients	Total
	$million	$million	$million	$million	$million	$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	73,862	61,425	1,326	3,709	54,141	120,601
- Grades 6-8	10,325	66,195	6,812	13,169	24,988	111,164
- Grades 9-11	1,825	25,614	8,348	87	15,236	49,285
- Grade 12	35	1,661	295	69	2,342	4,367
	86,047	154,895	16,781	17,034	96,707	285,417
of the above, renegotiated loans	-	*4,208*	*26*	-	*388*	*4,622*
Past due but not impaired						
- Up to 30 days past due	17	2,463	422	42	2,548	5,475
- 31 - 60 days past due	-	272	59	38	418	787
- 61 - 90 days past due	-	579	33	4	202	818
	17	3,314	514	84	3,168	7,080
of the above, renegotiated loans	-	*583*	-	-	-	*583*
Impaired forborne loans, net of provisions	-	474	1	-	150	625
Total performing loans	86,064	158,683	17,296	17,118	100,025	293,122
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	-	-	115	115
-121 - 150 days past due	-	-	5	1	77	83
	-	-	5	1	192	198
Individually impaired loans, net of provisions	107	2,510	540	41	300	3,391
of the above, forborne loans	-	*801*	*61*	-	*461*	*1,323*
Total non-performing loans, net of individual impairment	107	2,510	545	42	492	3,589
Total loans and advances	86,171	161,193	17,841	17,160	100,517	296,711
Portfolio impairment provision	(2)	(287)	(39)	(1)	(369)	(696)
Total net loans and advances	86,169	160,906	17,802	17,159	100,148	296,015

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	2,271	1,026	-	-	-	1,026
- Grades 6-8	196	3,321	-	-	-	3,321
- Grades 9-11	-	211	-	-	-	211
- Grade 12	-	25	-	-	-	25
	2,467	4,583	-	-	-	4,583
Past due but not impaired						
- Up to 30 days past due	-	405	-	-	-	405
Individually impaired loans	-	319	-	-	-	319

Credit quality by geographic region

Loans and advances to customers

The tables below set out an analysis of the loan to customers 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:

	30.06.14								
	Balance sheet[2]						Profit and loss		
	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired $million	Individual impairment provision $million	Portfolio impairment provision $million	Total $million	Net individual impairment provision $million	Portfolio impairment provision/ (release) $million	Net loan impairment charge[1] $million
Greater China	**91,331**	**1,265**	**693**	**(290)**	**(142)**	**92,857**	**216**	**(4)**	**212**
North East Asia	**28,646**	**833**	**610**	**(353)**	**(105)**	**29,631**	**217**	**(8)**	**209**
South Asia	**13,046**	**748**	**1,102**	**(398)**	**(65)**	**14,433**	**48**	**-**	**48**
ASEAN	**82,278**	**2,591**	**926**	**(371)**	**(173)**	**85,251**	**186**	**18**	**204**
MENAP	**17,144**	**859**	**2,377**	**(1,180)**	**(69)**	**19,131**	**32**	**(7)**	**25**
Africa	**7,504**	**394**	**966**	**(356)**	**(65)**	**8,443**	**96**	**-**	**96**
Americas	**11,268**	**52**	**1**	**(1)**	**(6)**	**11,314**	**-**	**1**	**1**
Europe	**42,772**	**481**	**927**	**(72)**	**(107)**	**44,001**	**20**	**28**	**48**
	293,989	**7,223**	**7,602**	**(3,021)**	**(732)**	**305,061**	**815**	**28**	**843**

	30.06.13								
	Balance sheet[2]						Profit and loss		
	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired $million	Individual impairment provision $million	Portfolio impairment provision $million	Total $million	Net individual impairment provision $million	Portfolio impairment provision/ (release) $million	Net loan impairment charge[1] $million
Greater China	83,877	1,081	607	(204)	(151)	85,210	116	10	126
North East Asia	31,616	786	567	(260)	(124)	32,585	194	(1)	193
South Asia	13,018	657	929	(342)	(58)	14,204	108	10	118
ASEAN	79,706	1,660	744	(333)	(147)	81,630	165	7	172
MENAP	16,130	550	2,584	(1,120)	(118)	18,026	40	(6)	34
Africa	7,934	66	176	(92)	(68)	8,016	59	16	75
Americas	9,883	-	17	-	(4)	9,896	-	1	1
Europe	42,014	21	340	(82)	(67)	42,226	11	(3)	8
	284,178	4,821	5,964	(2,433)	(737)	291,793	693	34	727

	31.12.13								
	Balance sheet[2]						Profit and loss		
	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired $million	Individual impairment provision $million	Portfolio impairment provision $million	Total $million	Net individual impairment provision $million	Portfolio impairment provision/ (release) $million	Net loan impairment charge[1] $million
Greater China	86,512	822	634	(200)	(146)	87,622	121	(6)	115
North East Asia	29,724	784	536	(321)	(107)	30,616	235	(1)	234
South Asia	12,670	854	1,023	(386)	(64)	14,097	90	6	96
ASEAN	79,502	2,232	831	(321)	(154)	82,090	211	12	223
MENAP	16,472	685	2,438	(1,176)	(74)	18,345	51	(38)	13
Africa	7,620	219	595	(274)	(67)	8,093	192	3	195
Americas	10,554	127	5	(4)	(5)	10,677	4	-	4
Europe	42,363	1,555	703	(67)	(79)	44,475	1	5	6
	285,417	7,278	6,765	(2,749)	(696)	296,015	905	(19)	886

[1] Excludes impairment charges relating to debt securities classified as loans and receivables (refer to note 7 on page 112)

[2] The disclosures in the Risk review section are presented on the basis of booking location of the loan except for a small number of impaired loans which have been reallocated into the region in which they are managed to align with income statement presentation

Problem credit management and provisioning

Non-performing loans by client segment

The definition of non-performing loans are set out on page 43.

The cover ratio is a common metric used in considering trends in provisioning and non-performing loans. This metric should be considered in conjunction with other credit risk information provided in this Risk review.

The cover ratio for Retail Clients increased slightly to 87 per cent compared to 2013 while the cover ratio for Corporate and Institutional Clients was stable at 49 per cent compared to 31 December 2013.

The Commercial and Private Banking segment's cover ratios decreased to 43 per cent and 47 per cent respectively since December 2013, driven by small number of exposures.

The balance of non-performing loans not covered by individual impairment provisions represents the adjusted value of collateral held and the Group's estimate of the net outcome of any workout strategy. The cover ratio after taking into account collateral for Corporate and Institutional Clients is 68 per cent (30 June 2013: 68 per cent, 31 December 2013: 63 per cent).

The table below presents a movement of the gross non-performing loans to banks and customers, together with the provisions held, for all segments and the respective cover ratios.

Further details by geography are set out on page 50.

	30.06.14				
	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	21	21	(1)	14	55
Classified as non-performing during the year	777	299	28	491	1,595
Recoveries on loans and advances previously written off	-	-	-	-	-
Additions	777	299	28	491	1,595
Transferred to assets held for sale	-	-	-	-	-
Transferred to performing during the year	(8)	(18)	-	(129)	(155)
Net repayments	(272)	(70)	-	(65)	(407)
Amounts written off	(56)	(22)	-	(246)	(324)
Disposals of loans	-	(2)	(8)	(48)	(58)
Reductions	(336)	(112)	(8)	(488)	(944)
Gross non-performing loans at 30 June	5,003	1,167	113	902	7,185
Individual impairment provisions[1]	(2,119)	(466)	(51)	(420)	(3,056)
Net non-performing loans	2,884	701	62	482	4,129
Portfolio impairment provision	(324)	(41)	(2)	(367)	(734)
Total	2,560	660	60	115	3,395
Cover ratio	49%	43%	47%	87%	53%

[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

Problem credit management and provisioning continued

	30.06.13				
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total $million
Gross non-performing loans at 1 January	3,788	720	95	935	5,538
Exchange translation differences	(62)	(29)	(7)	(11)	(109)
Classified as non-performing during the year	614	161	5	458	1,238
Recoveries on loans and advances previously written off	-	-	-	-	-
Additions	614	161	5	458	1,238
Transferred to assets held for sale	-	-	-	-	-
Transferred to performing during the year	(8)	(3)	-	(83)	(94)
Net repayments	(328)	(35)	-	(82)	(445)
Amounts written off	(23)	(18)	-	(218)	(259)
Disposals of loans	(43)	(5)	(1)	(67)	(116)
Reductions	(402)	(61)	(1)	(450)	(914)
Gross non-performing loans at 30 June	3,938	791	92	932	5,753
Individual impairment provisions[1]	(1,710)	(340)	(44)	(393)	(2,487)
Net non-performing loans	2,228	451	48	539	3,266
Portfolio impairment provision	(311)	(42)	(1)	(385)	(739)
Total	1,917	409	47	154	2,527
Cover ratio	51%	48%	49%	83%	56%

	31.12.13				
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total $million
Gross non-performing loans at 1 July	3,938	791	92	932	5,753
Exchange translation differences	(43)	(16)	10	(12)	(61)
Classified as non-performing during the year	1,024	220	(3)	457	1,698
Recoveries on loans and advances previously written off	-	5	-	24	29
Additions	1,024	225	(3)	481	1,727
Transferred to assets held for sale	-	-	-	(111)	(111)
Transferred to performing during the year	(79)	-	-	(43)	(122)
Net repayments	(257)	(18)	-	(2)	(277)
Amounts written off	(5)	(18)	-	(340)	(363)
Disposals of loans	(37)	(5)	(5)	(20)	(67)
Reductions	(378)	(41)	(5)	(516)	(940)
Gross non-performing loans at 31 December	4,541	959	94	885	6,479
Individual impairment provisions[1]	(1,924)	(414)	(52)	(393)	(2,783)
Net non-performing loans	2,617	545	42	492	3,696
Portfolio impairment provision	(289)	(39)	(1)	(369)	(698)
Total	2,328	506	41	123	2,998
Cover ratio	49%	47%	56%	86%	54%

[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

Problem credit management and provisioning

Non-performing loans by geographic region

Gross non-performing, increased by $706 million, or 11 per cent, since December 2013. These increases were primarily driven by a small number of large exposures in Africa and Europe.

The following tables set out the total non-performing loans to banks and customers on the basis of the geographic regions to which the exposure relates to rather than the booking location:

	30.06.14								
	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]	515	644	1,131	1,181	1,787	966	1	960	7,185
Individual impairment provision[2]	(244)	(353)	(397)	(441)	(1,168)	(356)	(1)	(96)	(3,056)
Non-performing loans net of individual impairment provision	271	291	734	740	619	610	-	864	4,129
Portfolio impairment provision	(142)	(105)	(65)	(174)	(70)	(65)	(6)	(107)	(734)
Net non-performing loans and advances	129	186	669	566	549	545	(6)	757	3,395
Cover ratio									**53%**

	30.06.13								
	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]	453	599	952	901	2,264	299	16	269	5,753
Individual impairment provision[2]	(165)	(260)	(339)	(352)	(1,174)	(92)	(1)	(104)	(2,487)
Non-performing loans net of individual impairment provision	288	339	613	549	1,090	207	15	165	3,266
Portfolio impairment provision	(151)	(124)	(58)	(148)	(119)	(68)	(4)	(67)	(739)
Net non-performing loans and advances	137	215	555	401	971	139	11	98	2,527
Cover ratio									56%

	31.12.13								
	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]	460	574	1,040	1,065	1,987	609	5	739	6,479
Individual impairment provision[2]	(150)	(324)	(388)	(394)	(1,160)	(274)	(4)	(89)	(2,783)
Non-performing loans net of individual impairment provision	310	250	652	671	827	335	1	650	3,696
Portfolio impairment provision	(146)	(107)	(64)	(155)	(75)	(67)	(5)	(79)	(698)
Net non-performing loans and advances	164	143	588	516	752	268	(4)	571	2,998
Cover ratio									54%

1 The disclosures in the Risk review section are presented on the basis of booking location of the loan except for a small number of impaired loans which have been reallocated into the region in which they are managed to align with income statement presentation

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

Problem credit management and provisioning continued

Individually impaired loans by client segment

Individually impaired loans broadly remained stable in Retail Clients, compared to 2013 at $1.1 billion. Corporate and Institutional Clients individually impaired loans increased by $599 million, or 12 per cent since 31 December 2013. Individual impairment provisions increases were primarily in Greater China and Africa as a result of a small number of Corporate and Institutional Clients exposures and within Retail Clients in Korea due to higher levels of filings under the PDRS.

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 of client segments:

	30.06.14				
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total $million
Gross individually impaired loans at 1 January	5,018	968	94	1,090	7,170
Exchange translation differences	32	8	1	19	60
Transfer to assets held for sale	-	-	-	-	-
Classified as individually impaired during the year	1,009	307	27	494	1,837
Transferred to not impaired during the year	(37)	(18)	-	(128)	(183)
Other movements[1]	(405)	(93)	(8)	(366)	(872)
Gross individually impaired loans at 30 June	5,617	1,172	114	1,109	8,012
Provisions held at 1 January	1,927	422	52	448	2,849
Exchange translation differences	60	(32)	-	(49)	(21)
Amounts written off	(48)	(24)	-	(502)	(574)
Releases of acquisition fair values	(1)	-	-	-	(1)
Recoveries of amounts previously written off	(2)	1	-	106	105
Discount unwind	(31)	(9)	1	(13)	(52)
Transferred to assets held for sale	-	-	-	-	-
New provisions	246	114	-	654	1,014
Recoveries/provisions no longer required	(18)	(10)	(1)	(166)	(195)
Net individually impairment charge against profit	228	104	(1)	488	819
Individually impairment provisions held at 30 June	2,133	462	52	478	3,125
Net individually impaired loans	3,484	710	62	631	4,887

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

Impaired loans continued

	30.06.13				
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total $million
Gross individually impaired loans at 1 January	4,230	721	95	1,103	6,149
Exchange translation differences	(75)	(19)	(7)	(14)	(115)
Transfer to assets held for sale	-	-	-	-	-
Classified as individually impaired during the year	618	145	5	462	1,230
Transferred to not impaired during the year	(15)	(2)	-	(30)	(47)
Other movements[1]	(408)	(44)	(2)	(410)	(864)
Gross individually impaired loans at 30 June	4,350	801	91	1,111	6,353
Provisions held at 1 January	1,639	345	44	405	2,433
Exchange translation differences	(34)	(8)	(1)	(16)	(59)
Amounts written off	(54)	(23)	-	(500)	(577)
Releases of acquisition fair values	(1)	-	-	-	(1)
Recoveries of amounts previously written off	5	(3)	-	85	87
Discount unwind	(24)	(7)	-	(11)	(42)
Transferred to assets held for sale	-	-	-	-	-
New provisions	192	57	-	622	871
Recoveries/provisions no longer required	(19)	(12)	-	(148)	(179)
Net individually impairment charge against profit	173	45	-	474	692
Individually impairment provisions held at 30 June	1,704	349	43	437	2,533
Net individually impaired loans	2,646	452	48	674	3,820

	31.12.13				
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total $million
Gross individually impaired loans at 1 July	4,350	801	91	1,111	6,353
Exchange translation differences	(34)	(20)	9	(12)	(57)
Transfer to assets held for sale	-	-	-	(111)	(111)
Classified as individually impaired during the year	1,072	236	(3)	536	1,841
Transferred to not impaired during the year	(82)	-	-	(76)	(158)
Other movements[1]	(288)	(49)	(3)	(358)	(698)
Gross individually impaired loans at 31 December	5,018	968	94	1,090	7,170
Provisions held at 1 July	1,704	349	43	437	2,533
Exchange translation differences	(26)	(8)	1	11	(22)
Amounts written off	(28)	(29)	-	(539)	(596)
Releases of acquisition fair values	1	(2)	-	(1)	(2)
Recoveries of amounts previously written off	8	3	-	113	124
Discount unwind	(33)	(7)	-	(11)	(51)
Transferred to assets held for sale	-	-	-	(42)	(42)
New provisions	325	132	8	671	1,136
Recoveries/provisions no longer required	(24)	(16)	-	(191)	(231)
Net individually impairment charge against profit	301	116	8	480	905
Individually impairment provisions held at 31 December	1,927	422	52	448	2,849
Net individually impaired Loans	3,091	546	42	642	4,321

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

Individual and portfolio impairment provisions

The movement in individual impairment provision is discussed on page 51. Portfolio impairment provisions increased by $36 million, largely in relation to C&I Clients based in Europe region.

The following tables set out the movements in total individual and portfolio impairment provisions:

	30.06.14			30.06.13		
	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	2,849	698	3,547	2,433	724	3,157
Exchange translation differences	(21)	8	(13)	(59)	(19)	(78)
Amounts written off	(574)	-	(574)	(577)	-	(577)
Releases of acquisition fair values	(1)	-	(1)	(1)	-	(1)
Recoveries of amounts previously written off	105	-	105	87	-	87
Discount unwind	(52)	-	(52)	(42)	-	(42)
Transferred to assets held for sale	-	-	-	-	-	-
New provisions	1,014	81	1,095	871	74	945
Recoveries/provisions no longer required	(195)	(53)	(248)	(179)	(40)	(219)
Net impairment charge against profit	819	28	847	692	34	726
Provisions held at 30 June	3,125	734	3,859	2,533	739	3,272

	31.12.13		
	Individual impairment provisions $million	Portfolio impairment provisions $million	Total $million
Provisions held at 1 July	2,533	739	3,272
Exchange translation differences	(22)	3	(19)
Amounts written off	(596)	-	(596)
Releases of acquisition fair values	(2)	-	(2)
Recoveries of amounts previously written off	124	-	124
Discount unwind	(51)	-	(51)
Transferred to assets held for sale	(42)	(25)	(67)
New provisions	1,136	96	1,232
Recoveries/provisions no longer required	(231)	(115)	(346)
Net impairment charge/(release) against profit	905	(19)	886
Provisions held at 31 December	2,849	698	3,547

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 decisions. In determining the financial effect of collateral held against loans neither past due nor impaired, we have assessed the significance of the collateral held in relation to the type of lending.

For loans and advances to banks and customers (including those held at fair value through profit or loss), the table below 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 32 and for the effect of over-collateralisation.

In Retail Clients, collateral levels have increased by 6 per cent compared to 31 December 2013 largely as we derisked the Personal Loan portfolio in certain markets. The proportion of collateral held against impaired loans has declined compared to 2013 as the increase in impaired loans primarily relates to the unsecured portfolio. 79 per cent of the loans to Retail and Private Banking Clients are fully secured.

Collateral held against Corporate and Institutional and Commercial Client loans also covers off-balance sheet exposures including undrawn commitments and trade related instruments. Collateral coverage is slightly lower at 24 per cent compared to 26 per cent at 31 December 2013. Collateral held against individually impaired loans rose to 17 per cent from 13 per cent at the end of December 2013.

The unadjusted market value of collateral in respect of Corporate and Institutional and Commercial Clients, which does not take into consideration over-collateralisation or adjustments was $209 billion (30 June 2013: $174 billion, 31 December 2013: $190 billion).

	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 30 June 2014						
Corporate and Institutional[2]	**61,276**	**236**	**948**	**260,092**	**2,994**	**5,617**
Commercial	**6,512**	**236**	**228**	**17,673**	**436**	**1,155**
Private Banking	**13,423**	**211**	**35**	**18,136**	**108**	**114**
Retail	**75,907**	**2,669**	**362**	**101,314**	**3,732**	**921**
Total	**157,118**	**3,352**	**1,573**	**397,215**	**7,270**	**7,807**
As at 30 June 2013						
Corporate and Institutional[2]	53,205	355	667	233,652	810	4,350
Commercial	6,386	482	136	17,380	597	795
Private Banking	11,111	29	69	14,682	22	91
Retail	70,926	2,020	404	101,698	3,404	939
Total	141,628	2,886	1,276	367,412	4,833	6,175
As at 31 Dec 2013						
Corporate and Institutional[2]	61,484	623	642	247,364	3,331	5,018
Commercial	6,422	454	156	17,841	519	963
Private Banking	13,435	149	65	17,160	85	93
Retail	71,585	2,305	396	100,517	3,360	898
Total	152,926	3,531	1,259	382,882	7,295	6,972

1 Includes loans held at fair value through profit or loss
2 Includes loans and advances to banks

Credit risk mitigation continued

Corporate and Institutional and Commercial Clients

Collateral held against Corporate and Institutional and Commercial Client exposures amounted to $68 billion (30 June 2013: $60 billion; 31 December 2013: $68 billion). This represents the fair value of collateral adjusted in accordance with our risk mitigation policy (page 32) and for the effects of over collateralisation.

Our underwriting standards encourage taking specific charges on assets and we consistently seek high quality, investment grade secured collateral. 48 per cent of collateral held is comprised of 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.

The proportion of highly rated debt securities of 28 per cent on collateral increased slightly from 27 per cent compared to December 2013 due to higher levels of reverse repurchase transactions.

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

	30.06.14 **$million**	30.06.13 $million	31.12.13 $million
Cash	**15,393**	13,444	13,444
Property	**17,087**	17,667	18,491
Debt securities			
AAA	**49**	6	45
AA- to AA+	**10,993**	2,830	9,651
BBB- to BBB+	**2,898**	1,963	2,758
Lower than BBB-	**935**	1,229	865
Unrated	**4,431**	5,506	5,034
	19,306	11,534	18,353
Other (asset based)	**16,002**	16,947	17,618
Total value of collateral	**67,788**	59,592	67,906

Commercial real estate (CRE)

The Group has lending to CRE counterparties of $16.3 billion (30 June 2013: $14.9 billion; 31 December 2013: $16.2 billion). Of this exposure, $6,141 million 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 exposure comprises working capital loans to real estate corporates, exposure with non-property collateral, unsecured exposure and exposure to real estate entity of diversified conglomerate.

At 30 June 2014, 79 per cent of the loan-to-value (LTV) ratio is less than 50 per cent (30 June 2013: 73 per cent; 31 December 2013: 71 per cent) with 19 per cent of loans ranging within LTV of 50 to 79 per cent (30 June 2013: 27 per cent; 31 December 2013: 28 per cent). Remaining 2 per cent of loans have LTV ranging from 80 to 100 per cent.

Average portfolio loan to value has remained relatively stable at 41.1 per cent at H1 2014, unchanged since December 2013.

Credit risk mitigation continued

Retail and Private Banking Clients loan portfolio

A secured loan is one where the borrower pledges an asset as collateral which the Group is able to take possession in the event that the borrower defaults. 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.

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

	30.06.14				30.06.13			
	Fully secured	**Partially secured**	**Unsecured**	**Total[1]**	Fully secured	Partially secured	Unsecured	Total[1]
	$million	**$million**	**$million**	**$million**	$million	$million	$million	$million
Loans to individuals								
Mortgages	**74,649**	**-**	**-**	**74,649**	73,799	-	-	73,799
Credit card and personal loans	**10**	**22**	**22,468**	**22,500**	5	-	24,667	24,672
Auto	**1,164**	**-**	**-**	**1,164**	1,433	-	-	1,433
Other	**18,420**	**1,740**	**977**	**21,137**	14,586	1,397	494	16,477
	94,243	**1,762**	**23,445**	**119,450**	89,823	1,397	25,161	116,381
Percentage of total loans	**79%**	**1%**	**20%**		77%	1%	22%	

	31.12.13			
	Fully secured	Partially secured	Unsecured	Total[1]
	$million	$million	$million	$million
Loans to individuals				
Mortgages	73,096	-	-	73,096
Credit card and personal loans	5	-	23,803	23,808
Auto	1,284	-	-	1,284
Other	17,579	1,462	448	19,489
	91,964	1,462	24,251	117,677
Percentage of total loans	78%	1%	21%	

[1] Amounts net of individual impairment provisions

Credit risk mitigation continued

Mortgage loan-to-value ratios by geography

The following table provides an analysis of loan to value (LTV) ratios by geography for the mortgages portfolio. LTV ratios are determined based on the ratio of the current mortgage outstanding to the current fair value of the properties on which they are secured.

Overall the average LTV ratio for the portfolio is 49.6 per cent compared to 49.9 per cent in December 2013.

Our major mortgage markets of Hong Kong, Singapore and Korea have an average LTV of less than 50 per cent. Compared to 31 December 2013, the proportion of the portfolio with average LTVs in excess of 100 per cent has declined from 0.4 per cent to 0.3 per cent, primarily within the MENAP region due to improving economic conditions, particularly in the UAE.

	30.06.14								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	%	%	%	%	%	%	%	%	%
Less than 50 per cent	**64.1**	**49.8**	**69.6**	**33.9**	**31.4**	**25.7**	**-**	**25.9**	**50.6**
50 per cent to 59 per cent	**13.2**	**23.7**	**13.1**	**21.3**	**20.1**	**13.3**	**-**	**39.8**	**18.6**
60 per cent to 69 per cent	**10.3**	**17.8**	**9.9**	**20.4**	**19.9**	**21.2**	**-**	**23.9**	**15.5**
70 per cent to 79 per cent	**5.6**	**5.2**	**5.7**	**17.0**	**15.2**	**23.5**	**-**	**10.4**	**9.1**
80 per cent to 89 per cent	**4.4**	**2.0**	**1.5**	**6.1**	**5.5**	**15.8**	**-**	**-**	**4.2**
90 per cent to 99 per cent	**2.4**	**1.0**	**0.1**	**1.0**	**3.4**	**0.1**	**-**	**-**	**1.6**
100 per cent and greater	**-**	**0.5**	**0.2**	**0.3**	**4.5**	**0.3**	**-**	**-**	**0.3**
Average Portfolio loan to value	**45.6**	**48.7**	**38.1**	**55.8**	**60.2**	**65.0**	**-**	**54.5**	**49.6**
Loans to individuals - Mortgages ($million)	**34,132**	**12,240**	**2,472**	**22,234**	**1,869**	**351**	**-**	**1,351**	**74,649**

	30.06.13								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	%	%	%	%	%	%	%	%	%
Less than 50 per cent	65.0	48.1	66.3	31.3	25.9	27.6	-	15.2	50.8
50 per cent to 59 per cent	13.8	22.2	13.5	21.6	15.9	14.2	-	31.6	17.9
60 per cent to 69 per cent	10.0	20.5	10.0	19.2	16.6	21.1	-	33.6	15.2
70 per cent to 79 per cent	6.3	5.6	7.1	20.9	17.6	19.4	-	19.6	10.6
80 per cent to 89 per cent	3.6	2.3	2.6	5.3	8.0	16.2	-	-	3.9
90 per cent to 99 per cent	1.3	1.0	0.5	1.1	4.0	0.8	-	-	1.2
100 per cent and greater	-	0.4	-	0.4	12.0	0.7	-	-	0.5
Average Portfolio loan to value	44.7	49.6	39.9	56.7	68.4	64.4	-	58.7	50.0
Loans to individuals - Mortgages ($million)	32,485	13,867	2,337	21,753	1,621	277	-	1,459	73,799

	31.12.13								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	%	%	%	%	%	%	%	%	%
Less than 50 per cent	62.9	48.8	65.8	32.3	31.0	27.0	-	20.6	50.6
50 per cent to 59 per cent	14.7	22.7	13.5	22.0	16.3	13.6	-	32.2	18.5
60 per cent to 69 per cent	9.6	19.1	10.7	20.3	19.5	21.3	-	22.7	14.8
70 per cent to 79 per cent	6.4	5.6	7.1	18.5	16.1	22.4	-	24.6	10.0
80 per cent to 89 per cent	4.0	2.2	2.4	5.4	7.4	15.1	-	-	4.1
90 per cent to 99 per cent	2.3	1.1	0.4	1.1	3.4	0.2	-	-	1.7
100 per cent and greater	-	0.5	-	0.4	6.3	0.4	-	-	0.4
Average Portfolio loan to value	45.6	49.3	40.5	56.0	62.1	64.3	-	57.8	49.9
Loans to individuals - Mortgages ($million)	32,940	12,821	2,298	21,636	1,753	293	-	1,355	73,096

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 table below details the carrying value of collateral possessed and held by the Group at 30 June 2014; 30 June 2013 and 31 December 2013:

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Property	9	39	44
Other	-	1	-
Total	9	40	44

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

	30.06.14			30.06.13		
	Debt securities $million	Treasury bills $million	Total $million	Debt securities $million	Treasury bills $million	Total $million
Net impaired securities:						
Impaired securities	440	-	440	411	-	411
Impairment	(257)	-	(257)	(153)	-	(153)
	183	-	183	258	-	258
Securities neither past due nor impaired:						
AAA	34,751	6,068	40,819	22,220	3,608	25,828
AA- to AA+	20,123	12,537	32,660	18,988	7,010	25,998
A- to A+	21,427	529	21,956	22,342	7,917	30,259
BBB- to BBB+	9,230	5,426	14,656	7,778	4,678	12,456
Lower than BBB-	1,647	693	2,340	3,225	823	4,048
Unrated	7,335	1,012	8,347	8,812	1,714	10,526
	94,513	26,265	120,778	83,365	25,750	109,115
	94,696	26,265	120,961	83,623	25,750	109,373
Of which:						
Assets at fair value						
Trading	19,282	3,307	22,589	13,516	3,380	16,896
Designated at fair value	-	-	-	368	-	368
Available-for-sale	72,792	22,928	95,720	65,793	22,370	88,163
	92,074	26,235	118,309	79,677	25,750	105,427
Assets at amortised cost						
Loans and receivables	2,556	-	2,556	3,946	-	3,946
Held-to-maturity	66	30	96	-	-	-
	2,622	30	2,652	3,946	-	3,946
	94,696	26,265	120,961	83,623	25,750	109,373

Debt securities and treasury bills continued

	31.12.13 Debt securities $million	31.12.13 Treasury bills $million	31.12.13 Total $million
Net impaired securities:			
Impaired securities	389	-	389
Impairment	(204)	-	(204)
	185	-	185
Securities neither past due nor impaired:			
AAA	23,772	4,455	28,227
AA- to AA+	23,274	19,226	42,500
A- to A+	21,392	1,087	22,479
BBB- to BBB+	5,913	4,238	10,151
Lower than BBB-	3,293	898	4,191
Unrated	8,244	1,500	9,744
	85,888	31,404	117,292
	86,073	31,404	117,477
Of which:			
Assets at fair value			
Trading	12,407	5,161	17,568
Designated at fair value	292	-	292
Available-for-sale	70,546	26,243	96,789
	83,245	31,404	114,649
Assets at amortised cost			
Loans and receivables	2,828	-	2,828
	2,828	-	2,828
	86,073	31,404	117,477

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 their 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 measurements on page 31.

Debt securities in the AAA rating category increased by $11 billion to $35 billion in June 2014 mainly due to an increase in higher quality corporate bonds in Hong Kong and Singapore. This was offset by low level of AAA trading business as funds were deployed into higher quality assets in Singapore and as part of the restructuring of the balance sheet in Korea.

Debt securities in the BBB- to BBB+ rating category increased by $4.5 billion in June 2014. The increase is mainly in India due to investment in government securities which are currently rated as BBB-.

Unrated securities primarily relate to corporate issuers. Using internal credit ratings $7,877 million (30 June 2013: $9,278 million, 31 December 2013: $9,275 million) of these securities are considered to be equivalent to investment grade.

Asset backed securities

Total exposures to asset backed securities

	30.06.14				30.06.13			
	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million
Residential Mortgage Backed Securities (RMBS)	**43%**	**3,658**	**3,667**	**3,665**	46%	3095	3060	3067
Collateralised Debt Obligations (CDOs)	**1%**	**108**	**76**	**79**	4%	241	185	205
Commercial Mortgage Backed Securities (CMBS)	**5%**	**472**	**398**	**396**	7%	440	329	333
Other Asset Backed Securities (Other ABS)	**51%**	**4,347**	**4,350**	**4,352**	43%	2,851	2,831	2,845
	100%	**8,585**	**8,491**	**8,492**	100%	6,627	6,405	6,450
Of which included within:								
Financial assets held at fair value through profit or loss	**5%**	**413**	**413**	**413**	3%	173	173	173
Investment securities - available-for-sale	**83%**	**7,099**	**7,027**	**7,027**	74%	4,962	4,854	4,854
Investment securities - loans and receivables	**12%**	**1,073**	**1,051**	**1,052**	23%	1,492	1,378	1,423
	100%	**8,585**	**8,491**	**8,492**	100%	6,627	6,405	6,450

	31.12.13			
	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million
Residential Mortgage Backed Securities (RMBS)	46%	3,059	3,052	3,045
Collateralised Debt Obligations (CDOs)	3%	223	181	190
Commercial Mortgage Backed Securities (CMBS)	5%	321	242	235
Other Asset Backed Securities (Other ABS)	46%	3,126	3,081	3,124
	100%	6,729	6,556	6,594
Of which included within:				
Financial assets held at fair value through profit or loss	2%	158	158	158
Investment securities - available-for-sale	79%	5,295	5,202	5,202
Investment securities - loans and receivables	19%	1,276	1,196	1,234
	100%	6,729	6,556	6,594

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

The carrying value of Asset Backed Securities (ABS) represents 1 per cent (30 June 2013: 1 per cent, 31 December 2013: 1 per cent) of our total assets.

The Group 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 $409 million and $436 million respectively as at 30 June 2014 (31 December 2013: $614 million and $647 million respectively). Note 12 to the financial statements provide details of the remaining balance of those assets reclassified in 2008.

The Group has also extended its investment to a limited amount of trading in ABS and has also acquired an additional $1.9 billion of ABS during the first half of 2014 for liquidity reasons.

This is classified as available-for-sale and primarily related to high quality RMBS assets with an average credit grade of AAA. The credit quality of the asset backed securities portfolio remains strong. With the exception of those securities subject to an impairment charge, over 95 per cent of the overall portfolio is rated A- or better, and 80 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.

The decline in the Group’s legacy portfolios and significant increase in asset purchases for liquidity reasons in the available-for-sale book makes the fair value of the entire portfolio similar to the carrying value.

Asset backed securities continued

Financial statement impact of asset backed securities

	Available-for-sale $million
Six months to 30 June 2014	
Credit to available-for-sale reserves	**31**
Credit to the profit and loss account	**1**
Six months to 30 June 2013	
Credit to available-for-sale reserves	24
Charge to the profit and loss account	(3)
Six months to 31 December 2013	
Charge to available-for-sale reserves	2
Charge to the profit and loss account	2

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 30 June 2014.

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 $0.4 billion direct sovereign exposure to other eurozone countries. The Group's non-sovereign exposure to GIIPS is $2.2 billion ($1.9 billion after collateral and netting) and $30.2 billion ($18.1 billion after collateral and netting) to the remainder of the eurozone. This exposure primarily consists of balances with corporates. The substantial majority of the Group's total gross GIIPS exposure has a tenor of less than five years, with approximately 26 per cent having a tenor of less than one year. The Group has no direct sovereign exposure and $164 million (30 June 2013: $272 million, 31 December 2013: $260 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. While the Group has limited eurozone exposure as disclosed above, the Group's earnings could be impacted by the general market disruption if such events should occur. We monitor the situation closely and we 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 by GALCO and GRC at the Group level.

Selected European country exposures continued

Country	Greece $million	Ireland $million	Italy $million	Portugal $million	Spain $million	Total $million
As at 30 June 2014						
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	-	720	-	385	1,105
Other financial institutions	-	842	4	-	-	846
Other corporate	7	172	40	-	74	293
Total gross exposure	7	1,014	764	-	459	2,244
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	-	(50)	-	(164)	(214)
Other financial institutions	-	(90)	(4)	-	-	(94)
Other corporate	(1)	(27)	(6)	-	(20)	(54)
Total collateral/netting	(1)	(117)	(60)	-	(184)	(362)
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	-	670	-	221	891
Other financial institutions	-	752[1]	-	-	-	752
Other corporate	6	145	34	-	54	239
Total net exposure at 30 June 2014	6	897	704	-	275	1,882
Total net exposure at 30 June 2013	22	1,608	1,002	19	134	2,785
Total net exposure at 31 December 2013	14	950	741	-	284	1,989

[1] This represents a single exposure which is part of a wider structured finance transaction and is unaffected by Irish economic risk

Of the $1,882 million (30 June 2013: $2,785 million; 31 December 2013: $1,989 million) net exposure at 30 June 2014, $1,609 million (30 June 2013: $2,125 million; 31 December 2013: $1,508 million) relate to contingent liabilities and commitments with the balance largely in loans and advances and debt securities.

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.

	France $million	Germany $million	Netherlands $million	Luxembourg $million	Total $million
Direct sovereign exposure	1	167	-	-	168
Banks	2,861	1,755	747	1,544	6,907
Other financial institutions	62	275	84	286	707
Other corporate	1,217	711	4,421	743	7,092
Total net exposure at 30 June 2014	4,141	2,908	5,252	2,573	14,874
Total net exposure at 30 June 2013	4,687	4,586	7,880	1,987	19,140
Total net exposure at 31 December 2013	4,516	5,390	7,735	1,916	19,557

The Group's lending to these selected eurozone countries primarily takes the form of repurchase agreements, inter-bank 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 50 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 $3.2 billion, which primarily comprises bonds and export structured financing to banks and corporates.

Country cross-border risk

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

The GRC is responsible for our country cross-border risk limits and delegates the setting and management of country limits to the Group Country Risk function. The business and country chief executive officers manage exposures within these limits and policies. Countries designated as higher risk are subject to increased central monitoring.

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

The profile of our country cross-border exposures as at 30 June 2014 remained consistent with our strategic focus on core franchise countries, and with the scale of the larger markets that we operate in. Changes in the pace of economic activity had an impact on growth of cross-border exposure for certain territories.

Steady progress in the internationalisation of the renminbi contributed to the growth in cross-border exposure to China. Increased short-term country cross-border exposure to China during 2014 reflects increased exposure to Chinese banks through trade finance and liquidity management activity, and an expansion of our corporate client base.

India remains a core territory for the Group where our competitive advantage positions us to offer US dollar facilities in the domestic market, and to facilitate overseas investment and trade flows supported by parent companies in India.

Reported increase in short term cross-border exposure to Hong Kong and Singapore reflects growth in trade finance and short-term lending to Corporate and Private Banking clients.

Malaysia benefited from an increase in trade finance activity amidst rising intra-region trade flows with ASEAN member countries, China and India. Higher short-dated cross-border exposure to Malaysia and Taiwan during 2014 is also representative of interbank money market positions booked offshore and liquidity management activity.

Growth in short-term cross-border activity in Indonesia was attributable to an expansion of the corporate client base, and growth in international trade finance. 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.

Cross-border exposure to the United Arab Emirates decreased slightly during 2014, due to a decrease in trade financing transactions and longer term exposures arising from financial markets activity. The decrease in cross-border exposure to Brazil is attributable to a moderation in economic growth, and slowing trade and investment flows with our core markets.

The growth in exposure to Nigeria is primarily driven by project financing and foreign currency funding of Nigerian corporate and institutional clients.

Cross-border exposure to 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 explains our significant exposure in the US and Australia.

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

	30.06.14			30.06.13			31.12.13		
	Less than one year $million	More than one year $million	Total $million	Less than one year $million	More than one year $million	Total $million	Less than one year $million	More than one year $million	Total $million
China	**42,916**	**15,338**	**58,254**	31,605	13,266	44,871	32,220	14,449	46,669
Hong Kong	**24,763**	**8,108**	**32,871**	22,696	7,264	29,960	21,164	8,210	29,374
India	**11,587**	**15,728**	**27,315**	13,655	18,585	32,240	12,566	18,295	30,861
Singapore	**21,581**	**5,519**	**27,100**	17,354	4,958	22,312	19,328	5,749	25,077
US	**17,505**	**7,074**	**24,579**	20,672	6,421	27,093	19,001	7,287	26,288
Korea	**9,118**	**7,026**	**16,144**	10,576	6,670	17,246	9,093	7,415	16,508
United Arab Emirates	**6,074**	**9,524**	**15,598**	6,156	10,842	16,998	6,281	10,997	17,278
Indonesia	**4,503**	**4,368**	**8,871**	3,603	4,295	7,898	3,959	4,958	8,917
Malaysia	**4,503**	**3,393**	**7,896**	3,089	2,856	5,945	3,878	3,396	7,274
Nigeria	**2,898**	**4,400**	**7,298**	2,191	2,627	4,818	2,318	4,072	6,390
Taiwan	**6,770**	**508**	**7,278**	2,606	635	3,241	5,091	808	5,899
Brazil	**5,250**	**1,942**	**7,192**	4,829	2,044	6,873	6,175	2,002	8,177
Australia	**1,345**	**5,780**	**7,125**	1,621	5,528	7,149	1,943	5,919	7,862

Market risk

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

The primary categories of market risk for Standard Chartered are:

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

Market risk governance

The GRC approves our overall market risk VaR and stress loss triggers taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes.

The Market and Traded Credit Risk Committee (MTCRC), under authority ultimately delegated by the GRC, is responsible for setting business desk level VaR and stress loss triggers for market risk within the levels set by GRC. The MTCRC is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books of the Group.

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

Value at Risk

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 from the fourth quarter of 2012 has been extended to cover also 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 now applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets.

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

VaR is calculated as our exposure as at the close of business, generally 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 framework which estimates these risks and applies capital add-ons.

Back testing

To assess their predictive power, VaR models are back tested against actual results. In the first half of 2014 there were three exceptions in the regulatory back testing (one during all of 2013). This is within the 'green zone' applied internationally to internal models by bank supervisors. Two of the exceptions arose from monthly or quarterly valuation adjustments which were applied on a single day creating a large daily income movement. The other exception arose on a day when there was exceptional volatility in the Chinese Renminbi foreign exchange market. This exception followed intervention by the People's Bank of China to widen the Renminbi trading band.

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.

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

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

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

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

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

Market risk changes

The average levels of Total VaR and Non-trading VaR at 30 June 2014 (H1 2014) were 8 per cent and 7 per cent higher respectively than in the six months to 31 December 2013 (H2 2013). However, compared to H1 2013 they were 38 per cent and 35 per cent higher respectively. The rise was primarily due to increased market volatility following comments by the US Federal Reserve chairman on 22 May 2013 that the US Federal Reserve was considering tapering its quantitative easing programme. This volatility has been reflected in the VaR one year historical observation period through H2 2013 and most of H1 2014. Looking forward to the second half of 2014, if positions and market volatility continue in line with H1 2014, the VaR can be expected to fall as the volatility observed in 2013 drops out of the VaR one year historical period.

Average VaR for the Trading Book in H1 2014 was 21 per cent higher than in H2 2013 and 12 per cent higher than in H1 2013, driven by Rates and Credit Trading business activities in June.

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

	6 months to 30.06.14				6 months to 30.06.13			
Trading and Non-trading	Average $million	High[4] $million	Low[4] $million	Actual[5] $million	Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Interest rate risk[2]	**28.9**	**36.8**	**21.2**	**26.9**	27.3	31.6	18.2[6]	30.5
Foreign exchange risk	**3.5**	**5.9**	**2.2**	**4.9**	4.4	7.6	3.0	3.8
Commodity risk	**1.6**	**2.9**	**1.2**	**1.3**	1.5	2.3	1.0	1.2
Equity risk	**19.1**	**20.0**	**17.8**	**18.0**	15.8	18.2	13.0	14.9
Total[3]	**39.7**	**47.4**	**31.5**	**37.8**	28.7	39.6	22.1	39.6

	6 months to 31.12.13			
Trading and Non-trading	Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Interest rate risk[2]	27.0	37.4	22.5	23.3
Foreign exchange risk	4.1	7.0	2.3	7.0
Commodity risk	1.5	2.6	0.9	1.5
Equity risk	15.0	18.4	14.0	18.3
Total[3]	36.9	44.8	27.1	38.5

	6 months to 30.06.14				6 months to 30.06.13			
Trading[1]	Average $million	High[4] $million	Low[4] $million	Actual[5] $million	Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Interest rate risk[2]	**10.8**	**21.3**	**7.0**	**21.3**	9.4	11.9	6.5	8.1
Foreign exchange risk	**3.5**	**5.9**	**2.2**	**4.9**	4.4	7.6	3.0	3.8
Commodity risk	**1.6**	**2.9**	**1.2**	**1.3**	1.5	2.3	1.0	1.2
Equity risk	**1.6**	**2.4**	**1.3**	**1.4**	1.7	2.1	1.3	1.7
Total[3]	**11.4**	**20.8**	**7.9**	**20.2**	10.2	13.3	8.0	9.7

	6 months to 31.12.13			
Trading[1]	Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Interest rate risk[2]	8.8	15.0	6.7	8.1
Foreign exchange risk	4.1	7.0	2.3	7.0
Commodity risk	1.5	2.6	0.9	1.5
Equity risk	1.4	1.9	1.1	1.8
Total[3]	9.4	14.9	7.3	9.1

1 Trading book for market risk was defined in accordance with the relevant section of the PRA Handbook's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU). On 1 January 2014 this regulation was superseded by the EU Capital Requirements Regulation (CRDIV/CRR). The PRA permits only certain types of financial instruments or arrangements to be included within the trading book, so 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

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

5 Actual one day VaR at period end date

6 The H1 2013 balance has been restated at a lower level, because the Non-trading book Interest Rate VaR for two days in June 2013 was over-stated. This was restated correctly in the FY 2013 disclosure. In the H1 2013 disclosure the Total trading and Non-trading book Interest Rate VaR was reported as $22.1 million

Market risk continued

Non-trading	6 months to 30.06.14 Average $million	High[4] $million	Low[4] $million	Actual[5] $million	6 months to 30.06.13 Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Interest rate risk[2]	**23.8**	**27.4**	**18.9**	**19.0**	24.3	27.7	16.9[6]	26.1
Equity risk	**17.9**	**19.1**	**16.4**	**17.5**	15.3	17.6	12.4	14.5
Total[3]	**34.8**	**39.0**	**25.9**	**26.2**	25.8	33.7	19.6	33.7

Non-trading	6 months to 31.12.13 Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Interest rate risk[2]	25.2	34.3	18.8	22.1
Equity risk	14.5	17.4	13.4	17.4
Total[3]	32.5	34.9	29.2	32.7

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

	6 months to 30.06.14 Average $million	High[4] $million	Low[4] $million	Actual[5] $million	6 months to 30.06.13 Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Trading and Non-trading	**39.7**	**47.4**	**31.5**	**37.8**	28.7	39.6	22.1	39.6
Trading[1]								
Rates	**6.9**	**13.7**	**3.8**	**12.7**	6.4	7.7	5.0	5.6
Global Foreign Exchange	**3.5**	**5.9**	**2.2**	**4.9**	4.4	7.6	3.0	3.8
Credit Trading & Capital Markets	**4.3**	**8.2**	**3.1**	**6.3**	3.1	3.7	2.5	2.9
Commodities	**1.6**	**2.9**	**1.2**	**1.3**	1.5	2.3	1.0	1.2
Equities	**1.6**	**2.4**	**1.3**	**1.4**	1.7	2.1	1.3	1.7
Total[3]	**11.4**	**20.8**	**7.9**	**20.2**	10.2	13.3	8.0	9.7
Non-trading								
Asset & Liability Management	**23.3**	**26.6**	**19.0**	**19.0**	19.9	23.1	17.1	22.0
Other Financial Markets non-trading book	**1.2**	**1.5**	**1.1**	**1.2**	2.0	2.4	1.2	1.3
Listed private equity	**17.9**	**19.1**	**16.4**	**17.5**	15.3	17.6	12.4	14.5
Total[3]	**34.8**	**39.0**	**25.9**	**26.2**	25.8	33.7	19.6	33.7

	6 months to 31.12.13 Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Trading and Non-trading[3]	36.9	44.8	27.1	38.5
Trading[1]				
Rates	6.3	12.2	3.5	5.5
Global Foreign Exchange	4.1	7.0	2.3	7.0
Credit Trading & Capital Markets	3.0	4.3	2.2	3.4
Commodities	1.5	2.6	0.9	1.5
Equities	1.4	1.9	1.1	1.8
Total[3]	9.4	14.9	7.3	9.1
Non-trading				
Asset & Liability Management	24.5	33.9	18.7	21.2
Other Financial Markets non-trading book	1.3	1.5	1.0	1.3
Listed private equity	14.5	17.4	13.4	17.4
Total[3]	32.5	34.9	29.2	32.7

1 Trading book for market risk was defined in accordance with the relevant section of the PRA Handbook's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU). On 1 January 2014 this regulation was superseded by the EU Capital Requirements Regulation (CRDIV/CRR). The PRA permits only certain types of financial instruments or arrangements to be included within the trading book, so 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

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

5 Actual one day VaR at year end date

6 The H1 2013 balance has been restated at a lower level, because the Non-trading book Interest Rate VaR for two days in June 2013 was over-stated. This was restated correctly in the FY 2013 disclosure. In the H1 2013 disclosure the Non-trading book Interest Rate VaR was reported as $20.9 million

Average daily income earned from market risk related activities[1]

Trading	6 months to 30.06.14 $million	6 months to[2] 30.06.13 $million	6 months to 31.12.13 $million
Interest rate risk[2]	**4.3**	5.8	3.6
Foreign exchange risk	**5.1**	6.7	4.4
Commodity risk	**1.5**	1.8	1.2
Equity risk	**0.6**	0.5	0.5
Total	**11.5**	14.8	9.7

Non-Trading			
Interest rate risk	**3.9**	3.1	2.5
Equity risk	**0.3**	-	1.0
Total	**4.2**	3.1	3.5

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

2 2013 comparatives have been restated to exclude certain fee income attributed to the trading book

Financial Markets loss days

Financial Markets trading book total product income reported no loss days in H1 2014 (one in H1 2013; one in H2 2013).

Market risk VaR coverage

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

VaR and stress tests are therefore applied to these non-trading book exposures (except Group Treasury, 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 on an amortised cost basis, so market price movements have limited effect on either profit and loss or reserves.

Structural foreign exchange currency 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 the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee. These are included as Level 3 assets as disclosed in note 12 to the financial statements.

Group Treasury market risk

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

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

Group Treasury NII sensitivity to parallel shifts in yield curves

	30.06.14 $million	30.06.13 $million	31.12.13 $million
+25 basis points	**34.5**	32.0	33.9
–25 basis points	**(34.5)**	(32.0)	(33.9)

NII sensitivity has increased as Group capital investment in branches and subsidiaries has increased.

Group Treasury also manages the structural foreign exchange risk that arises from non-US dollar currency net investments in branches and subsidiaries. The impact of foreign exchange movements is taken to reserves which form part of the capital base. The effect of exchange rate movements on the capital ratio is partially mitigated by the fact that both the value of these investments and the risk-weighted assets in those currencies follow broadly the same exchange rate movements. With the approval of CMC, Group Treasury may hedge the net investments if it is anticipated that the capital ratio will be materially affected by exchange rate movements. As at 30 June 2014, the Group had taken net investment hedges (using a combination of derivative and non-derivative financial investments) of $1,048 million (30 June 2013: $1,341 million, 31 December 2013: $1,280 million) to partly cover its exposure to Korean won.

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

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Hong Kong dollar	**7,651**	7,207	7,079
Korean won	**5,523**	5,522	5,194
Indian rupee	**4,405**	4,036	3,793
Taiwanese dollar	**2,874**	2,797	2,853
Chinese renminbi	**3,492**	2,943	3,084
Singapore dollar	**3,011**	947	2,925
Thai baht	**1,624**	1,666	1,640
UAE dirham	**1,671**	1,641	1,766
Malaysian ringgit	**1,749**	1,519	1,650
Indonesian rupiah	**1,146**	1,023	993
Pakistani rupee	**562**	555	530
Other	**3,876**	3,803	4,010
	37,584	33,659	35,517

An analysis has been performed on these exposures to assess the impact of a one per cent fall in the US dollar exchange rates adjusted to incorporate the impacts of correlations of these currencies to the US dollar. The impact on the positions above would be an increase of $275 million (30 June 2013: $244 million; 31 December 2013: $247 million). Changes in the valuation of these positions are taken to reserves.

Derivatives

Derivatives are contracts with characteristics and value derived from underlying financial instruments, interest and exchange rates or indices. They include futures, forwards, swaps and options transactions. Derivatives are an important risk management tool for banks and their 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.

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. 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 (see page 37).

Hedging

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

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

The notional value of interest rate swaps for the purpose of fair value hedging increased by $5.8 billion at 30 June 2014 compared to 31 December 2013. 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 $6 billion at 30 June 2014 compared to 31 December 2013. The increase of cash flow hedges is attributable to floating rate loans, bonds and deposits mainly in Korea and Singapore.

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 US 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 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 where required. In the medium term, the focus is on ensuring that the balance sheet remains structurally sound and is aligned to our strategy.

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

We seek to manage our liquidity prudently in all geographical locations and for all currencies. Exceptional market events could impact us adversely, thereby potentially affecting our ability to fulfill our obligations as they fall due. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the expected maturity date. To mitigate these uncertainties, our funding base is diverse and largely customer-driven, while customer loans are of short tenor (51 per cent of these assets have a contractual maturity of less than 1 year). In addition we have contingency funding plans including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions.

Policies and procedures

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

- The local and foreign currency cash flow gaps
- The level of external wholesale funding to ensure that the size of this funding is proportionate to the local market and our local operations
- The level of borrowing from other countries within the Group to contain the risk of contagion from one country to another
- Commitments, both on and off balance sheet, to ensure there are sufficient funds available in the event of drawdown
- The advances to deposits ratio to ensure that commercial advances are funded by stable sources and that customer lending is funded by customer deposits
- The amount of assets that may be funded from other currencies
- The amount of medium-term assets that have to be funded by medium-term funding

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

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

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 strengthens existing governance processes by providing 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.

Primary sources of funding

A substantial portion of our assets are funded by customer deposits, largely made up of current and savings accounts. Wholesale funding deposits are widely diversified by type and maturity and represent a stable source of funds for the Group. In addition, the short-term nature of our wholesale assets results in a balance sheet that is funded conservatively.

The ALCO in each country monitors trends in the balance sheet and ensures that any concerns that might impact the stability of these customer deposits are addressed effectively. The ALCO also reviews balance sheet plans to ensure that projected asset growth is matched by growth in customer deposits.

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 are therefore a means of controlling reliance on foreign exchange markets, which minimises 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 FX markets; and
- The local regulatory environment, particularly the presence or risk of imposition of foreign exchange controls.

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 $6.3 billion of the Group's senior and subordinated debt is 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 2 to the financial statements on page 107.

The table below shows the diversity of funding by type and by geography. Customer deposits make up almost 57 per cent of total liabilities as at 30 June 2014, 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 36 per cent of Group customer accounts.

Group's composition of Liabilities	30.06.14 %	30.06.13 %	31.12.13 %
Customer accounts	**56.6**	58.6	58.0
Deposits by banks	**7.3**	7.0	6.6
Derivative financial instruments	**6.9**	8.3	9.1
Other liabilities	**6.9**	6.3	5.8
Debt securities in issue	**11.7**	10.1	10.6
Subordinated liabilities and other borrowed funds	**3.6**	2.8	3.0
Total equity	**7.0**	6.9	6.9
Total	**100.0**	100.0	100.0

Geographic distribution of customer accounts	30.06.14 %	30.06.13 %	31.12.13 %
Greater China	**36.0**	35.7	37.2
North East Asia	**8.7**	8.9	8.7
South Asia	**3.8**	3.9	4.0
ASEAN	**25.1**	25.0	24.5
MENAP	**6.2**	5.9	6.0
Africa	**3.0**	2.7	2.9
Americas	**4.4**	4.1	3.8
Europe	**12.8**	13.8	12.9
Total	**100.0**	100.0	100.0

Encumbered assets

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. Taken together these encumbered assets represent 3.3 per cent (30 June 2013: 2.7 per cent; 31 December 2013: 3.1 per cent) of total assets, continuing the Group's historical low level of encumbrance.

The following table provides a reconciliation of the Group's encumbered assets to total assets.

	30.06.14				30.06.13			
	Unencumbered assets				Unencumbered assets			
	Not readily available to secure funding $million	Readily available to secure funding $million	Encumbered assets $million	Total assets $million	Not readily available to secure funding $million	Readily available to secure funding $million	Encumbered assets $million	Total assets $million
Cash and balances at central banks	10,557	51,625	-	62,182	9,663	47,958	-	57,621
Derivative financial instruments	48,105	-	-	48,105	54,548	-	-	54,548
Loans and advances to banks[1]	50,841	37,086	3,493	91,420	41,705	32,023	1,152	74,880
Loans and advances to customers[1]	303,924	-	1,137	305,061	290,246	-	1,547	291,793
Investment securities[1]	43,198	76,654	7,604	127,456	44,920	66,764	3,248	114,932
Other assets	26,227	-	10,857	37,084	26,137	-	11,904	38,041
Current tax assets	290	-	-	290	198	-	-	198
Prepayments and accrued income	2,807	-	-	2,807	2,687	-	-	2,687
Interests in associates and joint ventures	1,932	-	-	1,932	1,819	-	-	1,819
Goodwill and intangible assets	6,200	-	-	6,200	5,943	-	-	5,943
Property, plant and equipment	6,967	-	-	6,967	6,759	-	-	6,759
Deferred tax assets	634	-	-	634	736	-	-	736
Total	501,682	165,365	23,091	690,138	485,361	146,745	17,851	649,957

	31.12.13			
	Unencumbered assets			
	Not readily available to secure funding $million	Readily available to secure funding $million	Encumbered assets $million	Total assets $million
Cash and balances at central banks	9,946	44,588	-	54,534
Derivative financial instruments	61,802	-	-	61,802
Loans and advances to banks[1]	46,917	36,890	2,362	86,169
Loans and advances to customers[1]	294,884	-	1,131	296,015
Investment securities[1]	48,699	72,062	3,516	124,277
Other assets	19,870	-	13,700	33,570
Current tax assets	234	-	-	234
Prepayments and accrued income	2,510	-	-	2,510
Interests in associates and joint ventures	1,767	-	-	1,767
Goodwill and intangible assets	6,070	-	-	6,070
Property, plant and equipment	6,903	-	-	6,903
Deferred tax assets	529	-	-	529
Total	500,131	153,540	20,709	674,380

1 Includes assets held at fair value through profit or loss

Encumbered assets continued

In addition to the above the Group received $17, 029 million (30 June 2013: $8,710 million; 31 December 2013: $15,906 million) as collateral under reverse repurchase agreements that was eligible for repledging. Of this the Group repledged $1,014 million (30 June 2013: $1,161 million; 31 December 2013: $1,804 million) under repurchase agreements

Readily available to secure funding

Readily available to secure funding 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 of cash and balances at central banks, loans and advances to banks and investment securities.

Assets classified as not readily available to secure funding include:

- Assets which 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; and
- Assets that cannot be encumbered, such as derivatives, goodwill and intangible and deferred tax assets

Liquidity metrics

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

Advances to deposits ratio

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

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Loans and advances to customers[1]	**305,061**	291,793	296,015
Customer accounts	**390,523**	380,785	390,971
Advances to deposits ratio	**78.1%**	76.6%	75.7%

[1] See note 16 to the financial statements on page 137

Liquid asset ratio (LAR)

The Liquid asset ratio (LAR) ensures that a proportion of the Group's total assets are 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 (including net unsecured interbank and trade finance) 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.

The Group LAR remained at similar levels as in the previous year, reflecting an increase in liquid assets holdings to match balance sheet growth. The LAR in Europe increased as a consequence of liquidity optimisation activities resulting in increased balances at central banks and holding of liquid securities.

The following table sets an analysis of the Group's liquid assets by geographic region:

	30.06.14								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$million
Cash and balances at central banks	7,389	5,203	945	5,585	2,603	1,573	24,178	14,706	62,182
Restricted balances	(3,438)	(560)	(493)	(3,220)	(1,645)	(738)	(424)	(39)	(10,557)
Loans and advances to banks - net of non-performing loans	28,554	7,806	478	7,781	1,712	901	13,187	30,900	91,319
Deposits by banks	(8,670)	(4,472)	(501)	(7,096)	(1,777)	(822)	(18,128)	(8,909)	(50,375)
Treasury bills	6,940	5,680	2,359	4,821	1,058	3,175	929	1,303	26,265
Debt securities	29,723	7,629	3,775	15,035	4,438	2,628	5,040	26,428	94,696
of which :									
Issued by governments	13,536	6,194	2,875	6,243	3,765	1,143	422	5,134	39,312
Issued by banks	10,299	484	186	3,663	297	381	3,805	14,119	33,234
Issued by corporate and other entities	5,888	951	714	5,129	376	1,104	813	7,175	22,150
Illiquid securities and Other Assets	(819)	(19)	(538)	(222)	-	(6)	(468)	(1,103)	(3,175)
Liquid assets	59,679	21,267	6,025	22,684	6,389	6,711	24,314	63,286	210,355
Total assets	203,638	74,602	27,857	162,176	39,262	21,203	64,016	97,384	690,138
Liquid assets to total asset ratio (%)	29.3%	28.5%	21.6%	14.0%	16.3%	31.7%	38.0%	65.0%	30.5%

Liquid asset ratio (LAR) continued

	30.06.13								
	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	6,944	3,803	1,031	5,025	2,440	1,303	27,367	9,708	57,621
Restricted balances	(3,363)	(667)	(565)	(2,578)	(1,538)	(626)	(301)	(25)	(9,663)
Loans and advances to banks - net of non-performing loans	26,021	5,257	759	7,647	2,437	813	11,048	20,787	74,769
Deposits by banks	(6,548)	(4,545)	(496)	(4,890)	(1,514)	(611)	(15,777)	(11,009)	(45,390)
Treasury bills	6,796	6,954	2,789	3,496	1,449	2,390	1,396	480	25,750
Debt securities	30,690	4,963	2,709	16,914	4,044	3,115	3,432	17,756	83,623
of which :									
Issued by governments	12,348	3,840	1,834	6,881	3,364	1,400	513	2,575	32,755
Issued by banks	11,940	270	390	4,402	524	303	2,702	8,933	29,464
Issued by corporate and other entities	6,402	853	485	5,631	156	1,412	217	6,248	21,404
Illiquid securities and Other Assets	(101)	(5)	(696)	(177)	-	(112)	-	(1,698)	(2,789)
Liquid assets	60,439	15,760	5,531	25,437	7,318	6,272	27,165	35,999	183,921
Total assets	194,208	72,227	27,886	150,124	36,550	18,790	64,858	85,314	649,957
Liquid assets to total asset ratio (%)	31.1%	21.8%	19.8%	16.9%	20.0%	33.4%	41.9%	42.2%	28.3%

Liquid asset ratio (LAR) continued

	31.12.13								
	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	7,188	4,909	970	5,679	2,169	1,621	23,345	8,653	54,534
Restricted balances	(3,431)	(547)	(523)	(2,959)	(1,546)	(644)	(262)	(34)	(9,946)
Loans and advances to banks - net of non-performing loans	27,899	6,561	575	6,689	2,097	742	13,067	28,432	86,062
Deposits by banks	(4,652)	(3,719)	(542)	(6,917)	(1,491)	(566)	(17,739)	(8,900)	(44,526)
Treasury bills	10,741	6,794	2,567	4,748	1,220	2,777	1,027	1,530	31,404
Debt securities	30,126	5,895	2,896	16,093	3,986	2,803	3,979	20,295	86,073
of which :									
Issued by governments	12,625	4,289	2,162	6,584	3,382	1,307	194	3,331	33,874
Issued by banks	12,334	935	327	4,183	265	267	3,484	10,376	32,171
Issued by corporate and other entities	5,167	671	407	5,326	339	1,229	301	6,588	20,028
Illiquid securities and Other Assets	(170)	-	(773)	(348)	(39)	-	-	(1,051)	(2,381)
Liquid assets	67,701	19,893	5,170	22,985	6,396	6,733	23,417	48,925	201,220
Total assets	201,832	73,130	27,142	156,366	37,519	19,357	65,125	93,909	674,380
Liquid assets to total asset ratio (%)	33.5%	27.2%	19.0%	14.7%	17.0%	34.8%	36.0%	52.1%	29.8%

Liquid asset ratio (LAR) continued

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The Group monitors the LCR and NSFR in line with the Bank of International Settlements' BCBS238 guidelines. In June 2014 the Group started reporting its LCR on a monthly basis to its lead regulator, the Prudential Regulation Authority (PRA), calculated in accordance with the Capital Requirements Regulation (CRR), the Regulation that implements BCBS238 in Europe. The Group meets the Basel III requirements for the NSFR and LCR under both BCBS 238 and CRR definitions. As at 30 June 2014 both the Group LCR and NSFR were above 100 per cent.

Liquidity management – stress scenarios

The Group conducts a range of liquidity related stress analyses, both for internal and regulatory purposes.

Internally, three stress tests are run routinely: a severe eight-day name-specific stress, a 30-day market-wide stress and a 90-day combined-name specific and market-wide stress. Liquidity and funding risks are also considered as part of the Group's wider periodic scenario analysis, including reverse stress testing. In addition, the Group runs a range of stress tests to meet regulatory requirements, as defined by the PRA and local regulators.

The eight-day stress is specifically designed to determine a minimum quantity of marketable securities that must be held at all times in all countries. This stress is computed daily, and the minimum marketable securities requirement is observed daily. This is intended to ensure that, in the unlikely event of an acute loss of confidence in the Group or any individual entity within it, there is sufficient time to take corrective action. Every country must pass, on a stand-alone basis, with no presumption of Group support. As at 30 June 2014 all countries passed the stress test.

The Group's resilience to market-wide disruption, such as loss of interbank money or foreign exchange markets, is tested using the 30-day market wide stress scenario, and is monitored by country ALCOs.

Finally, the 90-day stress test considers more prolonged stresses that affect markets across a number of the Group's main footprint countries and in which the Group itself may come under some sustained pressure. This pressure may be unwarranted or may be because the Group is inextricably linked with those markets/countries. This stress is managed at a Group rather than individual country level. It tests the adequacy of contingency funding arrangements beyond the marketable securities held to cover the eight-day stress, including the ability to support countries from elsewhere in the Group.

Our country stress testing considers potential currency mismatches between outflows and inflows. Particular focus is paid to mismatches in less liquid currencies and those which are not freely convertible. Mismatches are controlled by management action triggers set by MTCR. 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 June 2014 were AA- (Fitch), AA- with negative outlook (S&P) and A1 (Moody's). A downgrade in credit rating would increase derivative collateral requirements and outflows due to rating-linked liabilities. The impact of a two-notch downgrade results in an estimated outflow of $1.4 billion.

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, loans and advances to banks, treasury bills and investment securities that are available-for-sale are used by the Group principally for liquidity management purposes.

Contractual maturity

	30.06.14								
	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									
Cash and balances at central banks	51,241	384	-	-	-	-	-	10,557	62,182
Derivative financial instruments	3,957	4,816	4,125	4,934	3,118	7,397	11,279	8,479	48,105
Loans and advances to banks[1]	37,086	23,888	16,109	3,384	5,501	3,743	1,634	75	91,420
Loans and advances to customers[1]	83,002	26,318	21,902	12,009	12,926	22,770	48,519	77,615	305,061
Investment securities	7,178	14,717	11,935	10,564	9,833	19,772	35,187	18,270	127,456
Other assets	16,281	12,201	2,312	165	530	20	272	24,133	55,914
Total assets	198,745	82,324	56,383	31,056	31,908	53,702	96,891	139,129	690,138
Liabilities									
Deposits by banks[1]	41,497	4,750	1,909	351	358	108	622	780	50,375
Customer accounts[1]	283,907	46,929	25,878	11,601	8,826	4,945	4,508	3,929	390,523
Derivative financial instruments	4,543	4,622	4,210	4,877	3,107	7,136	10,980	8,310	47,785
Senior debt	382	1,478	1,674	2,373	418	7,014	7,822	3,422	24,583
Other debt securities in issue[1]	8,699	17,707	15,110	3,145	2,329	892	1,658	6,201	55,741
Other liabilities	12,940	15,431	3,674	856	806	233	1,026	12,912	47,878
Subordinated liabilities and other borrowed funds	-	-	-	-	-	566	4,237	19,888	24,691
Total liabilities	351,968	90,917	52,455	23,203	15,844	20,894	30,853	55,442	641,576
Net liquidity gap	(153,223)	(8,593)	3,928	7,853	16,064	32,808	66,038	83,687	48,562

[1] Amounts include financial instruments held at fair value through profit or loss (see note 12) on pages 116 to 118

Contractual maturity continued

	30.06.13								
	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									
Cash and balances at central banks	47,881	24	-	-	-	-	-	9,716	57,621
Derivative financial instruments	5,940	7,091	6,031	4,677	3,844	7,074	11,371	8,520	54,548
Loans and advances to banks[1]	32,022	16,822	11,527	6,084	5,370	1,296	1,604	155	74,880
Loans and advances to customers[1]	68,254	29,874	19,450	15,360	13,340	18,698	48,506	78,311	291,793
Investment securities[1]	5,840	13,051	14,387	11,294	9,732	16,922	29,606	14,100	114,932
Other assets	16,915	12,577	2,828	318	130	106	193	23,116	56,183
Total assets	176,852	79,439	54,223	37,733	32,416	44,096	91,280	133,918	649,957
Liabilities									
Deposits by banks[1]	37,502	4,534	2,197	250	182	89	542	94	45,390
Customer accounts[1]	267,889	45,675	27,898	15,589	9,589	4,120	5,720	4,305	380,785
Derivative financial instruments	6,023	7,336	5,880	4,532	4,426	6,519	10,869	8,196	53,781
Senior debt	2,288	50	239	753	1,587	375	13,474	2,982	21,748
Other debt securities in issue[1]	8,453	13,738	10,757	1,507	3,217	3,134	(335)	3,305	43,776
Other liabilities	13,353	9,346	3,508	887	382	709	1,220	11,321	40,726
Subordinated liabilities and other borrowed funds	-	-	927	-	-	-	4,614	12,852	18,393
Total liabilities	335,508	80,679	51,406	23,518	19,383	14,946	36,104	43,055	604,599
Net liquidity gap	(158,656)	(1,240)	2,817	14,215	13,033	29,150	55,176	90,863	45,358

[1] Amounts include financial instruments held at fair value through profit or loss (see note 12) on pages 116 to 118

Contractual maturity continued

	31.12.13								
	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									
Cash and balances at central banks	44,309	264	-	-	-	-	-	9,961	54,534
Derivative financial instruments	6,820	7,376	8,403	4,514	3,612	9,085	13,453	8,539	61,802
Loans and advances to banks[1]	36,890	21,705	13,349	5,543	5,153	1,647	1,798	84	86,169
Loans and advances to customers[1]	73,036	29,469	23,541	10,772	11,677	22,549	48,297	76,674	296,015
Investment securities[1]	11,496	13,948	12,567	7,252	11,241	21,052	30,844	15,877	124,277
Other assets	14,677	10,964	2,316	44	318	35	201	23,028	51,583
Total assets	187,228	83,726	60,176	28,125	32,001	54,368	94,593	134,163	674,380
Liabilities									
Deposits by banks[1]	36,084	4,873	1,489	394	276	173	521	716	44,526
Customer accounts[1]	279,638	48,630	26,473	12,864	10,793	2,574	6,310	3,689	390,971
Derivative financial instruments	6,922	7,306	9,405	4,195	3,418	8,480	12,802	8,708	61,236
Senior debt	478	291	3,485	430	19	7,020	10,121	3,335	25,179
Other debt securities in issue[1]	10,114	13,252	11,516	1,422	1,938	1,141	1,992	4,858	46,233
Other liabilities	12,759	8,665	3,260	962	432	544	1,117	11,258	38,997
Subordinated liabilities and other borrowed funds	-	-	-	-	-	6	4,785	15,606	20,397
Total liabilities	345,995	83,017	55,628	20,267	16,876	19,938	37,648	48,170	627,539
Net liquidity gap	(158,767)	709	4,548	7,858	15,125	34,430	56,945	85,993	46,841

1 Amounts include financial instruments held at fair value through profit or loss (see note 12) on pages 116 to 118

Behavioural maturity of financial assets and liabilities

The cash flows presented on page 98 reflect the cash flows which 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 historic behaviour of balances. The Group’s expectation of when assets and liabilities are likely to become due is provided on the following page.

Behavioural maturity continued

	30.06.14								
	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]	37,044	22,999	16,426	3,436	5,500	3,665	2,247	103	91,420
Loans and advances to customers[1]	57,864	23,013	18,452	10,044	16,891	22,202	97,293	59,302	305,061
Total loans and advances	94,908	46,012	34,878	13,480	22,391	25,867	99,540	59,405	396,481
Liabilities									
Deposits by banks[1]	31,506	4,766	2,289	419	449	9,456	709	781	50,375
Customer accounts[1]	125,004	29,475	15,298	12,941	23,671	103,097	76,419	4,618	390,523
Total deposits	156,510	34,241	17,587	13,360	24,120	112,553	77,128	5,399	440,898
Net gap	(61,602)	11,771	17,291	120	(1,729)	(86,686)	22,412	54,006	(44,417)

	30.06.13								
	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]	32,632	16,470	11,127	5,982	5,392	1,350	1,772	155	74,880
Loans and advances to customers[1]	53,050	23,088	17,122	11,632	16,881	24,974	85,544	59,502	291,793
Total loans and advances	85,682	39,558	28,249	17,614	22,273	26,324	87,316	59,657	366,673
Liabilities									
Deposits by banks[1]	37,318	4,642	1,302	252	1,076	81	623	96	45,390
Customer accounts[1]	126,517	32,804	18,356	13,250	29,381	94,811	60,950	4,716	380,785
Total deposits	163,835	37,446	19,658	13,502	30,457	94,892	61,573	4,812	426,175
Net gap	(78,153)	2,112	8,591	4,112	(8,184)	(68,568)	25,743	54,845	(59,502)

	31.12.13								
	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]	36,990	21,856	13,342	5,532	5,072	1,554	1,665	158	86,169
Loans and advances to customers[1]	55,193	27,724	18,204	8,491	17,991	21,239	88,092	59,081	296,015
Total loans and advances	92,183	49,580	31,546	14,023	23,063	22,793	89,757	59,239	382,184
Liabilities									
Deposits by banks[1]	35,804	5,063	1,472	427	318	138	597	707	44,526
Customer accounts[1]	131,684	28,574	16,700	11,055	23,572	115,686	58,868	4,832	390,971
Total deposits	167,488	33,637	18,172	11,482	23,890	115,824	59,465	5,539	435,497
Net gap	(75,305)	15,943	13,374	2,541	(827)	(93,031)	30,292	53,700	(53,313)

1 Amounts include financial instruments held at fair value through profit or loss (see note 12)

Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people, or technology or the impact of external events. We seek to control operational risks to ensure that operational losses do not cause material damage to the Group's franchise.

Operational risks can arise from all business lines and from all activities carried out by the Group. We seek to systematically identify and manage operational risk by segmenting the Group's processes into logical groupings. Each of these has an owner who is responsible for identifying and managing all the risks that arise from those activities as an integral part of their first line responsibilities. Products and services offered to clients and customers in all our markets are also assessed and authorised in accordance with product governance procedures.

Although operational risk exposures can take many varied forms, we seek to manage them in accordance with standards that drive systematic risk identification, assessment, control and monitoring. These standards are challenged and reviewed regularly to ensure their ongoing effectiveness. To support the systematic identification of material operational risk exposures associated with a given process, we classify them into the following types:

Operational risk subtypes

Processing failure	Potential for loss due to failure of an established process or to a process design weakness
External rules & 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 to assets	Potential for loss or damage to physical assets and other property from natural disaster and other events
Safety and security	Potential for loss or damage to health or safety of staff, customers or third parties arising from internal failures or the effects of external events
Internal crime or dishonesty	Potential for loss due to action by staff that is intended to defraud, misappropriate property or to circumvent the law or company policy
External crime	Potential for loss due to criminal acts by external parties such as fraud, theft and other criminal activity including internet crime
Model	Potential for loss due to a significant discrepancy between the output of risk measurement models and actual experience

Identified operational risk exposures are rated 'Low', 'Medium', 'High' or 'Very High' in accordance with defined risk assessment criteria. Risks which are outside of set materiality thresholds receive a differential level of management attention and are reported to senior management and risk committees up to Board level. Significant external events or internal failures which have occurred are analysed to identify the root cause of any failure for remediation and future mitigation. Actual operational losses, near misses and control metrics are recorded.

In the Second Line of Defence, Group Operational Risk is responsible for setting and maintaining the standards for operational risk management and control. In addition, specialist operational risk control owners have responsibility for the control of operational risk arising from the management of the following risk control areas Group-wide: people, technology, vendor, property, security, accounting and financial control, tax, legal processes, corporate authorities and structure and regulatory compliance, as described further in the table below:

Operational risk continued

Operational risk control area

People Management	Recruiting, developing, compensating and managing employees
Technology Management	Developing, maintaining and using information technology, and information security
Vendor Management	Procurement, licensing, outsourcing and supplier management
Property Management	Managing property assets, projects and facilities.
Security Management	Protecting the security of staff and customers
Regulatory Compliance	Maintaining relationships with regulators, evidencing compliance with banking and securities regulations and managing regulatory change
Legal processes	Effective documentation of material transactions and other material contractual agreements, controlling the rights pertaining to material assets of the Group, and managing material claims and legal disputes
Accounting & Financial Control	Financial and management accounting, associated reporting and financial control
Tax management	Maintaining relationships with tax authorities and managing the Group's tax affairs to ensure compliance with our obligations
Corporate authorities & structure	Maintaining effective corporate legal entity structure and corporate decision making authorities

Each risk control owner, supported by a specialist control function, is responsible for identifying risks that are material to the Group and for maintaining an effective control environment, across the whole organisation. This includes defining appropriate policies, for approval by authorised risk committees, that impose specific controls and constraints on the Group's activities.

Since the Group reorganisation, as of 1 April 2014, the Group Risk Committee provides overall oversight of operational risk 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 businesses, Group functions, financial crime compliance and information management and data quality, respectively.

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.

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 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 Group Code of Conduct and are further embedded through values-based performance assessments.

Reputational risk may also arise from a failure to comply with environmental and social standards. Our primary environmental and social impacts arise through our relationship with our clients and customers and the financing decisions we take. We have published a series of position statements which we apply in the provision of financial services to clients who operate in sectors with specific risks, and for key issues. We have mechanisms in our origination and credit processes to identify and assess environmental and social risks, and a dedicated Environmental and Social Risk Management team that reviews proposed transactions with identified risks.

The GRC 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 BVC and BRC 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

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes. The risk assessment is focused on our obligations towards our major pension schemes, ensuring that our funding obligation to these schemes is comfortably within our financial capacity. Pension risk is monitored quarterly. The Group Pension Risk Committee is the body responsible for governance of pension risk and it receives its authority from GRC.

The following sections of Capital form part of the financial statements: from the start of 'Capital Management' on this page to the end of 'Reconciliation of Basel II Core Tier 1 and CRD IV, Common Equity Tier 1' on page 89, excluding the end point CET1 ratio on page 85, the risk-weighted assets amount on page 86 and the capital ratios on page 87.

Capital management

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

Strategic, business and capital plans are drawn up annually covering a five year horizon and are approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained to support our strategy. 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 growth forecasts, loan impairment outlook and 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 committees are the Group Asset and Liability Committee (GALCO) and the Capital Management Committee (CMC). The members of GALCO include all the Group Executive Directors and the Group Chief Risk Officer with senior attendees from Group Treasury, Finance, Risk and the business. The GALCO regularly reviews the capital plan and approves capital management policies and guidelines. The CMC oversees the tactical management of the Group's capital position and provides a bridge to GALCO's strategic management of the Group's capital position. The GALCO delegates certain authorities to CMC in relation to capital management.

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.

In light of the uncertain economic environment and continuing uncertainty as to the end state for banks' regulatory capital structures, it is appropriate to remain both strongly capitalised and well above regulatory requirements.

Standard Chartered Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

The capital that we are required to hold is determined by our balance sheet, off-balance sheet, counterparty and other risk exposures. Further detail on counterparty and risk exposures is included in the Risk review on pages 25 to 82.

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 ratios in all our legal entities. These processes are designed to ensure that we have sufficient capital available to meet local regulatory capital requirements at all times.

Advanced Internal Ratings Based (IRB) models

Since 1 January 2008, we have been using the IRB approach for the calculation of credit risk capital requirements with the approval of our relevant regulators. This approach builds on our risk management practices and investment in data warehousing and risk models.

For the market risk Internal Model Approach (IMA) where IMA permission has been granted by our relevant regulators we use Value at Risk (VaR) in our market risk models for the calculation of our market risk capital requirements. Where our market risk exposures are not included in a regulatory IMA permission we apply the Standardised Approach for determining the capital requirements for market risk as specified by the relevant regulator. We apply the Standardised Approach for determining the capital requirements for operational risk.

The Group's IRB models are subject to initial approval, and ongoing supervision by its regulators. The Group believes that the overall performance of its models has been, and continues to be, conservative. The PRA has revised its approach towards the use and calibration of IRB models. Consequently, the Group is to change the method for calculating Exposure at Default (EAD) in certain IRB models, resulting in around a $12bn increase in risk-weighted assets (RWA) and an impact on the Common Equity Tier 1 (CET1) ratio of around 40bps.

In December 2013, in PS7/13 the PRA proposed changes to the treatment of certain exposures where the country-specific default experience is not deemed sufficient for modelling purposes, including the application of various Loss Given Default (LGD) floors. In June 2014 the PRA issued a Consultation Paper (CP12/14) proposing (among other changes) that AIRB permissions for exposures to central governments, central banks, public sector entities and financial institutions be replaced by Foundation IRB (FIRB) permissions by the end of June 2015. Under a FIRB permission, EAD and LGD for such exposures will be determined based on supervisory formulae rather than internal models. Such changes to the treatment of LGD would result in an increase in the risk-weighted requirements calculated by such models. The impact of such changes will depend on the final outcome of the consultation process.

CRD IV (Basel III)
In Policy Statement PS7/13 the PRA has set out its approach to implementation of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) which together comprise CRD IV. CRD IV came into force on 1 January 2014. A number of areas of CRD IV remain subject to further consultation or await promulgation of the relevant European Banking Authority (EBA) Technical Standards and UK implementing rules. Further, the CRD leaves considerable scope for national discretion to be applied. Accordingly, the position presented here is based on the Group's current understanding of the rules which may be subject to change.

In June 2014, the PRA set out a requirement for the eight large UK institutions (of which the Group is one) of a 7 per cent CET1 ratio based on capital definitions in CRR and the PRA Rulebook and a 3 per cent end point Tier 1 leverage ratio from 1 July 2014. The Group currently exceeds these requirements.

The Group is well positioned: diverse, well capitalised and liquid with a conservative approach to balance sheet management. The Group currently operates at capital levels materially above the current minimum requirements and, additionally, has a number of levers at its disposal, to manage future regulatory requirements as they finalise or emerge over the next few years.

Bank of England (BoE) Stress Tests
The PRA is conducting a stress test of the UK banking system, as recommended by the Financial Policy Committee (FPC) of the BoE, which will include the Group. The Group is not included in the EBA's simultaneous EU-wide stress test. The purpose of the PRA stress test is to assess the capital adequacy and resilience of UK-based banks. The Group expects that the results of the BoE stress test will be used by the PRA to inform the setting of a bank's revised Capital Planning Buffer (CPB). The Group understands that the CPB will phase out starting from January 2016 when CRD IV buffers commence their phase-in although the PRA have not yet formally confirmed these transitional arrangements. The results of the BoE stress test will be published by the BoE towards the end of 2014 although the exact timing, form and extent of disclosure are not yet known.

Global Systemically Important Institutions (G-SIIs)
On 11 November 2013, the Financial Stability Board (FSB) published an updated list of G-SIIs identifying the Group as a G-SII with a 1 per cent additional CET1 requirement. G-SIIs will be required to hold an additional CET1 buffer of between 1 per cent and 3.5 per cent of RWA by 2019. If the Group remains a G-SII, its related CET1 requirement will be phased in from 1 January 2016 to 1 January 2019.

Her Majesty's Treasury (HMT) has designated the PRA as the authority responsible for identifying G-SIIs and setting G-SII buffers. On 5 June 2014, the EBA published the final draft Regulatory Technical Standards (RTS) on the methodology for identifying G-SIIs and the related disclosure requirements for G-SIIs. The identification of G-SIIs in the EU is aligned with the framework established by the Financial Stability Board (FSB) and developed by the Basel Committee on Banking Supervision (BCBS). However, while the global standards only require the publication of the 12 indicators used in the methodology, the EBA extends the public disclosure requirement to all the data needed to calculate these indicators. In accordance with the Basel Committee standards, the Group has published its G-SII indicators as at 31 December 2013.

The Group's G-SII disclosure 'Standard Chartered's G-SIB indicators' can be found at www.sc.com/en/news-and-media/news/global/31-07-2014-gsib-indicators.html

Other Regulatory Developments
In April 2014, the PRA published Policy Statement PS3/14 and Supervisory Statement SS6/14 which set out its approach to implementation of some of the buffers which had not been addressed in PS7/13. The BoE was identified as the designated authority for the Countercyclical Capital Buffer (CCyB), with its powers delegated to the FPC. The FPC may set a CCyB for UK exposures and for non-EU exposures.

In the UK, the Combined Buffer will include the Capital Conservation Buffer (CCB), the CCyB, the GSII buffer and the Systemic Risk Buffer (SRB), to the extent applicable to a firm, as required by CRD IV. If a firm does not meet its Combined Buffer it will be required to notify the PRA within five days and calculate a Maximum Distributable Amount (MDA). If a firm does not meet its Combined Buffer it must not make distributions of profits in excess of the applicable MDA. Where firms are in the first quartile of their combined buffer (when they meet between 75 per cent and 100 per cent of it), 60 per cent of such profits can be distributed. In the second quartile, 40 per cent can be distributed; in the third quartile, 20 per cent; and in the fourth quartile, 0 per cent. Relevant distributions include: distributions in connection with CET1, payment of variable remuneration or discretionary pensions and payments on Additional Tier 1 instruments.

EU member states may introduce a SRB for the financial services sector, or a subset of it. The SRB is intended to mitigate the macro-prudential risks specific to an EU member state. This buffer has an upper-bound rate of 5 per cent but could exceed this, following authorisation by the European Commission. HMT has not yet designated a responsible authority for the SRB.

Pillar 2
In addition to Pillar 1 capital requirements, the Group, like other UK banks, currently holds capital in respect of its Pillar 2 risks. Pillar 2 comprises:

- Individual Capital Guidance (ICG or Pillar 2A buffer) for risks deemed not covered or adequately addressed by Pillar 1 capital requirements (including for example: pension risk, interest rate risk, concentration risk and operational risk). From 1 January 2015 the Group must hold at least 56 per cent of its Pillar 2A buffer in CET1
- A CPB to ensure the Group remains well capitalised in a stressed environment. From 1 January 2016, the PRA Buffer Assessment will take into account the CCB, any G-SII buffers and SRB. A further CET1 component could be added to the extent that the PRA does not consider that these buffers are sufficient to cover the Group's risks

The PRA has announced that it intends to consult in the second half of 2014 on the transition to the new Pillar 2 framework. Based on current guidance received from the PRA in 2014 and the Group's current understanding of the rules, the Group's Pillar 2A guidance now amounts to around 115 bps of RWA. Assuming that the Group meets its Pillar 2A guidance to the extent possible with Tier 1 and Tier 2 capital, the Group's Pillar 2A CET1 guidance is around 65 bps. The Group's Pillar 2A guidance may vary over time.

Gone concern loss absorbing capacity (GLAC)
The FSB is expected to publish proposals for international GLAC standards at the November G20 meeting. Based on its current understanding of the ongoing discussions and the potential definition of GLAC, the Group estimates that as at 30 June 2014 its GLAC level is around 22 per cent of RWA. This figure includes regulatory capital, senior liabilities with at least one year to maturity and that part of subordinated debt that is amortised for regulatory capital purposes over the last five years of the relevant instrument's duration (with at least one year remaining to maturity) and therefore outside the scope of regulatory capital recognition.

CRD IV Own Funds disclosures
The table on page 86 summarises the consolidated capital position of the Group. The disclosure template is based on the EBA Implementing Technical Standard (ITS) on Disclosure for Own Funds published on 26 July 2013.

The Reconciliation of Basel II Core Tier 1 and CRD IV CET1 and Basel II risk-weighted asset to CRD IV table illustrates the impact of the move from Basel II to CRD IV as at 1 January 2014. CET1 decreased by just under $2 billion due to increased regulatory deductions from CET1 capital in particular the full and unsheltered deduction for excess expected losses relative to provisions and the deduction of certain deferred tax assets. RWA increased by just over $9 billion due to credit valuation adjustments (CVA), asset value correlation (AVC) charges and the introduction of the threshold deduction approach offset in part by the application of CRR standardised rules to various Financial Markets portfolios.

The Group has deducted foreseeable interim dividends (net of scrip) from the capital base which impacted the CET1 ratio by around 17bps.

At 30 June 2014, the Group's end point CET1 ratio is 10.7 per cent which reflects the inclusion of unrealised gains on available for sale securities in the end point calculation which are expected to be recognised from 2015 onwards. The 1 January 2014 end point ratio on this basis was 11.0 per cent and 11.2 per cent including the impact of estimated mitigation of the CVA RWA increase as disclosed in the 2013 Annual Report.

CRD IV Capital base	CRD IV[1] 30.06.14 $million	CRD IV[2] 31.12.13 $million	Basel II[3] 31.12.13 $million	Basel II[4] 30.06.13 $million
Common Equity Tier 1 (CET1)/Core Tier 1 capital: instruments and reserves				
Capital instruments and the related share premium accounts	**5,225**	5,213	5,213	5,212
Of which: Share premium accounts	**3,989**	4,001	4,001	4,000
Retained earnings[5]	**27,883**	28,560	28,560	25,200
Accumulated other comprehensive income (and other reserves)	**11,171**	10,794	10,794	10,681
Non-controlling interests (amount allowed in consolidated CET1)	**604**	607	906	927
Independently reviewed interim profit[6]	**2,401**	-	-	2,181
Foreseeable dividends net of scrip[7]	**(584)**	-	-	-
Common Equity Tier 1 capital before regulatory adjustments	**46,700**	45,174	45,473	44,201
Common Equity Tier 1 / Core Tier 1 capital: regulatory adjustments				
Additional value adjustments	**(216)**	(180)	-	-
Intangible assets (net of related tax liability)[8]	**(6,414)**	(6,173)	(6,070)	(6,100)
Deferred tax assets that rely on future profitability	**(276)**	(273)	-	-
Fair value reserves related to gains or losses on cash flow hedges	**(76)**	(15)	(15)	50
Negative amounts resulting from the calculation of expected loss[9]	**(1,919)**	(1,738)	(610)	(696)
Gains or losses on liabilities at fair value resulting from changes in own credit	**(85)**	(85)	(85)	(187)
Defined-benefit pension fund assets	**(5)**	(6)	26	35
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	**(13)**	(5)	-	-
Exposure amounts which could qualify for risk weighting	**(222)**	(190)	(92)	(111)
Of which: securitisation positions	**(184)**	(184)	(92)	(111)
Of which: free deliveries	**(38)**	(6)	-	-
Regulatory adjustments relating to unrealised gains	**(461)**	(546)	(669)	(384)
Other	**-**	(2)	(35)	(34)
Total regulatory adjustments to Common Equity Tier 1 /Core Tier 1	**(9,687)**	(9,213)	(7,550)	(7,427)
Common Equity Tier 1 /Core Tier 1 capital	**37,013**	35,961	37,923	36,774
Additional Tier 1 (AT1) capital: instruments				
Capital Instruments and the related share premium accounts	**4,378**	4,458	4,690	5,494
Significant direct and indirect holdings of CET1 instruments of relevant entities	**-**	-	(537)	(502)
Tax on excess expected losses	**-**	-	259	234
Additional Tier 1 (AT1) capital before regulatory adjustments	**4,378**	4,458	4,412	5,226
Tier 1 capital (T1 = CET1 + AT1)	**41,391**	40,419	42,335	42,000
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts	**13,054**	9,010	16,218	13,571
Amount of qualifying items and the related share premium accounts subject to phase out from Tier 2	**1,155**	1,447	-	-
Qualifying own funds instruments included in Tier 2 capital issued by subsidiaries and held by third parties	**4,903**	5,267	-	-
Unrealised gains on available-for-sale equity securities included in Tier 2	**-**	-	744	362
Significant direct and indirect holdings of CET1 instruments of relevant entities	**-**	-	(537)	(502)
Negative amounts resulting from the calculation of expected loss amounts	**-**	-	(869)	(930)
Securitisation positions	**-**	-	(92)	(111)
Credit risk adjustments	**212**	237	237	272
Tier 2 capital before regulatory adjustments	**19,324**	15,961	15,701	12,662
Tier 2 capital: regulatory adjustments				
Direct and indirect holdings by an institution of own Tier 2 instruments and subordinated loans	**(24)**	(11)	(11)	(6)
Deductions from total capital	**-**	-	(6)	(6)
Total regulatory adjustments to Tier 2 capital	**(24)**	(11)	(17)	(12)
Tier 2 capital	**19,300**	15,950	15,684	12,650
Total capital (TC = T1 + T2)	**60,691**	56,369	58,019	54,650
Total risk-weighted assets[10]	**351,585**	331,296	322,251	323,776

CRD IV Capital base continued	**CRD IV[1] 30.06.14 $million**	CRD IV[2] 31.12.13 $million	Basel II[3] 31.12.13 $million	Basel II[4] 30.06.13 $million
Capital ratios				
Common Equity Tier 1 (CET1) for CRD IV/Core Tier 1 capital for Basel II	**10.5%**	10.9%	11.8%	11.4%
Tier 1 capital	**11.8%**	12.2%	13.1%	13.0%
Total capital	**17.3%**	17.0%	18.0%	16.9%

1 The 'CRD IV 30.06.14' column shows the implemented CRD IV transitional position at 30 June 2014
2 The 'CRD IV 31.12.13' column shows the 31 December 2013 Basel II position adjusted for the CRD IV rules as at 1 January 2014. This has been re-presented to align with the EBA disclosure template
3 The 'Basel II 31.12.13' column corresponds to the Basel II position set out in the Group's 2013 Annual Report. This has been re-presented to align with the EBA disclosure template
4 The 'Basel II 30.06.13' position reflects that disclosed in the Group's 2013 Interim Report. This has been re-presented to align with the EBA disclosure template
5 Retained earnings under CRD IV include the effect of regulatory consolidation adjustments
6 Independently reviewed interim profits for CRD IV are in accordance with the regulatory consolidation
7 Foreseeable dividends include the proposed interim dividend for H1 2014 and preference share dividend. The interim dividend element is reported net of scrip (using 25% scrip dividend assumption)
8 "Net of related tax liability" is only applicable for CRD IV
9 Excess of expected losses in respect of advance IRB portfolios are shown net of tax benefits under Basel II
10 The risk-weighted assets are not reviewed by the auditors

Movement in total capital

	CRD IV 6 months ended 30.06.14 $million	Basel II 6 months ended 31.12.13 $million
Opening Common Equity Tier 1 (CET1)/Core Tier 1 capital	**35,961**	36,774
Ordinary shares issued in the period and share premium	12	1
Profit for the period	2,401	1,854
Dividends, net of scrip	(732)	(696)
Foreseeable dividends net of scrip	(584)	-
(Increase)/decrease in goodwill and other intangible assets	(241)	30
Foreign currency translation differences	315	(196)
Decrease/(increase) in unrealised gains on available for sale assets	85	(285)
Movement in eligible other comprehensive income	117	525
Net effect of regulatory consolidation and change in non-controlling interests	(140)	(291)
(Increase)/decrease in excess expected loss, net of tax	(181)	86
Decrease in securitisation positions	-	19
Own credit adjustment, net of tax	-	102
Closing Common Equity Tier 1(CET1)/Core Tier 1 capital	**37,013**	37,923
Opening Additional Tier 1/Other Tier 1 capital	**4,458**	5,226
Increase in tax benefit of excess expected loss	-	25
Decrease in material holdings	-	(35)
Redeemed capital	(320)	(925)
Other	240	121
Closing Additional Tier 1/Other Tier 1 capital	**4,378**	4,412
Opening Tier 2 capital	**15,961**	12,662
Subordinated debt issued by subsidiaries and held by third parties	(364)	-
Issuance of subordinated loan capital, net of redemptions and foreign currency translation differences	3,752	2,647
Increase in revaluation reserve	-	382
Increase in portfolio impairment provision	(25)	(35)
Decrease in excess expected loss	-	61
Increase in material holdings	-	(35)
Decrease in securitisation positions	-	19
Closing Tier 2 capital	**19,324**	15,701
Total regulatory adjustments to Tier 2 (T2) capital	**(24)**	(17)
Closing Total capital	**60,691**	58,019

Reconciliation of Basel II to CRD IV

Reconciliation of Basel II Core Tier 1 and CRD IV Common Equity Tier 1(CET1)	31.12.2013 $million
Core Tier 1 capital	37,923
Full deduction of excess of expected losses	(1,128)
Deduction of deferred tax assets	(273)
Ineligible non-controlling interest	(299)
Additional valuation adjustment, embedded goodwill net of tax and other	(262)
Common Equity Tier 1 (CET1) capital	**35,961**

Reconciliation of Basel II risk-weighted assets to CRD IV	31.12.2013 $million
Basel II risk-weighted assets	322,251
Credit valuation adjustment	7,900
Asset value correlation	5,200
Introduction of threshold deduction approach	2,482
Application of CRR standardised rules	(6,377)
Other	(160)
CRD IV risk-weighted assets	**331,296**

Risk-weighted assets

	CRD IV 30.06.14 $million	CRD IV 31.12.13 $million	Basel II 31.12.13 $million	Basel II 30.06.13 $million
Credit risk	**296,305**	281,256	265,834	264,043
Operational risk	**35,107**	33,289	33,289	33,289
Market risk	**20,173**	16,751	23,128	26,444
Total risk-weighted assets	**351,585**	331,296	322,251	323,776

Risk-weighted assets by business

	CRD IV 30.06.14			
	Credit Risk $million	Operational Risk $million	Market Risk $million	Total Risk $million
Corporate and Institutional Clients	**208,276**	**22,322**	**20,173**	**250,771**
Commercial Clients	**22,042**	**2,778**	**-**	**24,820**
Private Banking Clients	**6,130**	**902**	**-**	**7,032**
Retail Clients	**59,857**	**9,105**	**-**	**68,962**
Total risk-weighted assets	**296,305**	**35,107**	**20,173**	**351,585**

	Basel II 30.06.13			
	Credit Risk $million	Operational Risk $million	Market Risk $million	Total Risk $million
Corporate and Institutional Clients	170,881	21,166	26,444	218,491
Commercial Clients	23,693	2,634	-	26,327
Private Banking Clients	5,086	855	-	5,941
Retail Clients	64,383	8,634	-	73,017
Total risk-weighted assets	264,043	33,289	26,444	323,776

	Basel II 31.12.13			
	Credit Risk $million	Operational Risk $million	Market Risk $million	Total Risk $million
Corporate and Institutional Clients	177,366	21,166	23,128	221,660
Commercial Clients	23,062	2,634	-	25,696
Private Banking Clients	4,779	855	-	5,634
Retail Clients	60,627	8,634	-	69,261
Total risk-weighted assets	265,834	33,289	23,128	322,251

Risk-weighted assets by geographic region

	CRD IV 30.06.14 $million	Basel II 30.06.13 $million	Basel II 31.12.13 $million
Greater China	**65,299**	62,487	63,284
North East Asia	**25,453**	26,286	26,701
South Asia	**28,678**	26,668	26,721
ASEAN	**81,173**	86,463	80,377
MENAP	**31,022**	30,644	29,402
Africa	**19,866**	21,493	19,729
Americas	**12,572**	10,982	12,454
Europe	**98,505**	67,920	74,389
	362,568	332,943	333,057
Less : Netting balances[1]	**(10,983)**	(9,167)	(10,806)
Total risk-weighted assets	**351,585**	323,776	322,251

1 Risk-weighted assets by geographic region are reported gross of any netting benefits

Risk-weighted contingent liabilities and commitments

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Contingent liabilities[1]	**14,576**	15,850	15,519
Commitments[1]	**11,320**	12,211	11,814

[1] These amounts are included in total risk-weighted assets and include amounts relating to the Group's associates and joint ventures

Movement in risk-weighted assets

	Credit risk							
	Corporate and Institutional Clients $million	Commercial Clients $million	Private Banking Clients $million	Retail Clients $million	Total $million	Operational risk $million	Market risk $million	Total risk $million
Risk-weighted assets at 1 January 2013 (Basel II)	158,540	20,599	4,087	63,424	246,650	30,761	24,450	301,861
Assets growth	10,286	1,062	238	1,769	13,355	2,528	1,994	17,877
Credit migration	1,771	919	621	(1,062)	2,249	-	-	2,249
Risk-weighted assets efficiencies	807	(206)	208	(167)	642	-	-	642
Model, methodology and policy changes	2,435	1,744	-	2,607	6,786	-	-	6,786
Acquisitions and disposals	-	-	-	(295)	(295)	-	-	(295)
Foreign currency translation differences	(2,958)	(425)	(68)	(1,893)	(5,344)	-	-	(5,344)
Risk-weighted assets at 30 June 2013 (Basel II)	170,881	23,693	5,086	64,383	264,043	33,289	26,444	323,776
Assets growth/(decline)	5,375	539	705	(2,286)	4,333	-	(3,316)	1,017
Credit migration	7,304	(268)	(824)	493	6,705	-	-	6,705
Risk-weighted assets efficiencies	(2,793)	(436)	(206)	(1,123)	(4,558)	-	-	(4,558)
Model, methodology and policy changes	(2,508)	(491)	-	(1,592)	(4,591)	-	-	(4,591)
Acquisitions and disposals	-	145	-	451	596	-	-	596
Foreign currency translation differences	(893)	(120)	18	301	(694)	-	-	(694)
Risk-weighted assets at 31 December 2013 (Basel II)	**177,366**	**23,062**	**4,779**	**60,627**	**265,834**	**33,289**	**23,128**	**322,251**
Impact of CRD IV (at 1 January 2014)	**16,602**	**(900)**	**50**	**(330)**	**15,422**	**-**	**(6,377)**	**9,045**
Assets growth/(decline)	**3,677**	**(1,001)**	**212**	**55**	**2,943**	**1,818**	**4,645**	**9,406**
Credit migration	**6,159**	**576**	**56**	**(473)**	**6,318**	**-**	**-**	**6,318**
Risk-weighted assets efficiencies	**(7,893)**	**(257)**	**(107)**	**(573)**	**(8,830)**	**-**	**-**	**(8,830)**
Model, methodology and policy changes	**11,745**	**370**	**1,112**	**(283)**	**12,944**	**-**	**(1,223)**	**11,721**
Foreign currency translation differences	**620**	**192**	**28**	**834**	**1,674**	**-**	**-**	**1,674**
Risk-weighted assets at 30 June 2014 (CRD IV)	**208,276**	**22,042**	**6,130**	**59,857**	**296,305**	**35,107**	**20,173**	**351,585**

Risk-weighted assets

RWA increased by $29.3 billion, or 9 per cent, from 31 December 2013. Of this $9 billion was a result of the transition to CRD IV as at 1 January 2014 as set out in the 'Movement in risk-weighted assets' the table above. This comprised primarily of a credit risk weighting increase of $15.4 billion which was offset partially by a benefit in market risk RWA of $6.4 billion.

Excluding the transitioning impact the underlying increase was $20.3 billion, and this is analysed as follows:

C&I and Commercial segments

Credit risk increased due to the following:

- Model changes of $12.1 billion resulting from a change in the method for calculating EAD for certain IRB models, under guidance from the PRA
- Negative credit migration due to downgrades primarily in the Europe and ASEAN regions of $6.7 billion
- Translation impact due to appreciation of currencies in India, Pakistan and Korea of $0.8 billion

This was offset by efficiencies of $8.2 billion from proactive management including portfolio management activities, collateral management initiatives and reductions in tenor.

Retail
Retail Clients RWA decreased marginally with the increases in operational risk RWA offset by a reduction in credit risk RWA. This was a result of a mix change as we reduced our unsecured lending book, which generally attracts a higher RWA compared to secured lending, which we grew in this period. Translation impact of $0.8 billion due to appreciation of currencies in Korea, Singapore and Indonesia.

Private Banking
The growth in Private Banking of $1.4 billion RWA was primarily due to higher credit risk RWA. This was due to a combination of increase in exposures and changes arising from lower collateral eligibility due to the reduction in the number of recognised stock exchanges.

Market risk RWA at $20.2 billion was lower by $3.0 billion primarily due to reduced capital requirements under CRD IV of $6.4 billion on equity options for which standard rules are applied. This also contributes a further $1.2 billion benefit in 2014 and was offset by increased assets covered by own internal models and increased positions subject to Specific Interest Rate Risk (SIRR) capital requirements.

Operational risk RWA increased by $1.8 billion, or 5 per cent due to the change in income over a rolling three year time horizon (2013 income replacing 2010).

Leverage ratio

The Basel Committee on Banking Supervision introduced the leverage ratio to constrain the build-up of leverage in the banking sector, and supplement risk-based capital requirements with a “simple, non-risk based backstop measure” of leverage. The proposed leverage ratio compares Tier 1 capital to total exposures, which includes certain exposures held off balance sheet as adjusted by regulatory credit conversion factors.

The CRR refers to the BCBS guidance of formal disclosure of a leverage ratio from 2015 with final adjustments to definition and calibration during the first half of 2017 with a view to migrating the leverage ratio to a binding Pillar 1 requirement by 1 January 2018. Article 429 of the CRR specifies how the leverage ratio is to be calculated and Article 430 and Article 451 cover disclosure to supervisors and the market respectively. The EBA has recently published ITS relating to leverage ratio disclosure to supervisors and to the market.

Following a consultation exercise concluded in September 2013, the BCBS issued a revised leverage ratio framework and disclosure requirements during January 2014. In March 2014, the EBA recommended aligning the CRR to the January 2014 BCBS proposals. In July 2014 the FPC published a consultation on the leverage ratio with final recommendations to follow in November 2014.

The FPC consultation is wide ranging and proposes (among other things) introduction of a number of elements of the risk based capital regime to the leverage framework (e.g. leverage conservation, systemic and countercyclical type buffers) and restrictions on the use of AT1 to meet future leverage requirements. According to the FPC, the calibration of the leverage ratio is outside the scope of this review and, as such, the focus of this review is primarily on the design of a leverage ratio framework. The Group currently intends to respond to the FPC’s leverage consultation.

The table below sets out the Group’s leverage ratio in accordance with the prevailing PRA guidance for (i) a capital measure using the end point Tier 1 capital definition in the final CRR text and the Own Funds RTS published by the EBA and (ii) an exposure measure based on the BCBS January 2014 proposals.

The Group has interpreted the requirements of the BCBS January 2014 text, however, these rules may differ when included in the revised CRD IV text.

In June 2014, in an update to SS3/13 the PRA set out a requirement for the 8 large UK institutions (of which the Group is one) to achieve a 3 per cent end point Tier 1 leverage ratio from 1 July 2014. The Group’s leverage ratio of 4.8 per cent is above this minimum requirement.

Leverage ratio continued

	30.06.14 $million
Tier 1 capital (transitional position)	41,391
Less: Additional Tier 1 capital	(4,378)
Add: Regulatory adjustments relating to unrealised gains	461
Tier 1 capital (end point)	37,474
Exposure measure (end point)	785,939
Leverage ratio (end point)	4.8%
Total on balance sheet assets	704,890
Derivatives financial instruments	48,125
Securities financing transactions	27,580
All other on balance sheet items	629,185
Off balance sheet transactions	68,223
Unconditionally cancellable/low risk	11,108
Medium/low risk trade related off-balance sheet items	4,797
Medium risk trade and officially supported export finance off-balance sheet items	37,140
Other off-balance sheet items	15,178
Derivatives adjustment	(4,864)
Benefits of derivative netting recognised under Basel III	(30,382)
Potential Future Exposure (PFE) add-on derivatives	25,518
	26,379
Additional exposure for credit derivatives	9,977
Additional exposure for SFT	16,244
Gross-up for derivative netting under IAS 32	6,268
Eligible cash variation margin offset against market values	(6,110)
Deductions from CRD IV Tier 1 capital (end point)	(8,689)
Total exposure measure for leverage ratio	785,939

Reconciliation of accounting to regulatory assets	30.06.14 $million
Total assets per financial balance sheet	690,138
Net effect of regulatory consolidation	14,752
Total on balance sheet assets	704,890

Condensed consolidated interim income statement

For the six months ended 30 June 2014

	Notes	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Interest income		**8,603**	8,914	8,679
Interest expense		**(2,999)**	(3,316)	(3,121)
Net interest income		**5,604**	5,598	5,558
Fees and commission income		**2,284**	2,338	2,243
Fees and commission expense		**(223)**	(243)	(237)
Net trading income	3	**954**	1,685	829
Other operating income	4	**635**	610	396
Non-interest income		**3,650**	4,390	3,231
Operating income		**9,254**	9,988	8,789
Staff costs	5	**(3,454)**	(3,397)	(3,173)
Premises costs	5	**(441)**	(426)	(451)
General administrative expenses	5	**(875)**	(860)	(1,172)
Depreciation and amortisation	6	**(313)**	(351)	(363)
Operating expenses		**(5,083)**	(5,034)	(5,159)
Operating profit before impairment losses and taxation		**4,171**	4,954	3,630
Impairment losses on loans and advances and other credit risk provisions	7	**(846)**	(730)	(887)
Other impairment				
Goodwill impairment	8	**-**	(1,000)	-
Other	8	**(185)**	(11)	(118)
Profit from associates and joint ventures		**113**	112	114
Profit before taxation		**3,253**	3,325	2,739
Taxation	9	**(849)**	(1,089)	(775)
Profit for the period		**2,404**	2,236	1,964
Profit attributable to:				
Non-controlling interests	26	**44**	55	55
Parent company shareholders		**2,360**	2,181	1,909
Profit for the period		**2,404**	2,236	1,964
		cents	cents	cents
Earnings per share:				
Basic earnings per ordinary share	11	**94.6**	88.1	76.5
Diluted earnings per ordinary share	11	**94.0**	87.3	75.7
Dividends per ordinary share:				
Interim dividend declared	10	**28.80**	-	-
Interim dividend paid	10	**-**	28.80	-
Final dividend paid	10	**-**	-	57.20
		$million	$million	$million
Total dividend:				
Total interim dividend payable[1]		**710**	-	-
Total interim dividend (paid 17 October 2013)		**-**	696	-
Total final dividend (paid 14 May 2014)		**-**	-	1,385

[1] Dividend declared/payable represents the interim dividend as declared by the Board of Directors on 6 August 2014 and is expected to be paid on 20 October 2014. This dividend does not represent a liability to the Group at 30 June 2014 and is a non-adjusting event as defined by IAS 10 *Events after the reporting period*

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June 2014

	Notes	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Profit for the period		**2,404**	2,236	1,964
Other comprehensive income:				
Items that will not be reclassified to Income statement:				
Actuarial (losses)/gains on retirement benefit obligations	24	**(70)**	44	35
Items that may be reclassified subsequently to Income statement:				
Exchange differences on translation of foreign operations:				
Net gains/(losses) taken to equity		**358**	(1,112)	(94)
Net (losses)/gains on net investment hedges		**(58)**	81	(116)
Share of other comprehensive income from associates and joint ventures		**6**	(3)	(12)
Available-for-sale investments:				
Net valuation gains/(losses) taken to equity		**278**	(115)	286
Reclassified to income statement		**(249)**	(210)	(38)
Cash flow hedges:				
Net gains/(losses) taken to equity		**67**	(161)	78
Reclassified to income statement		**3**	(2)	8
Taxation relating to components of other comprehensive income		**(30)**	64	(30)
Other comprehensive income for the period, net of taxation		**305**	(1,414)	117
Total comprehensive income for the period		**2,709**	822	2,081
Total comprehensive income attributable to:				
Non-controlling interests	26	**29**	39	40
Parent company shareholders		**2,680**	783	2,041
		2,709	822	2,081

Condensed consolidated interim balance sheet

As at 30 June 2014

	Notes	30.06.14 $million	30.06.13 $million	31.12.13 $million
Assets				
Cash and balances at central banks	12, 28	**62,182**	57,621	54,534
Financial assets held at fair value through profit or loss	12, 13	**36,497**	28,135	29,335
Derivative financial instruments	12, 14	**48,105**	54,548	61,802
Loans and advances to banks	12, 15	**87,324**	73,305	83,702
Loans and advances to customers	12, 16	**299,209**	285,353	290,708
Investment securities	12, 17	**100,907**	94,812	102,716
Other assets	12, 18	**37,084**	38,041	33,570
Current tax assets		**290**	198	234
Prepayments and accrued income		**2,807**	2,687	2,510
Interests in associates and joint ventures		**1,932**	1,819	1,767
Goodwill and intangible assets	20	**6,200**	5,943	6,070
Property, plant and equipment		**6,967**	6,759	6,903
Deferred tax assets		**634**	736	529
Total assets		**690,138**	649,957	674,380
Liabilities				
Deposits by banks	2, 12	**49,189**	45,012	43,517
Customer accounts	2, 12	**380,609**	371,314	381,066
Financial liabilities held at fair value through profit or loss	12, 13	**26,916**	22,456	23,030
Derivative financial instruments	12, 14	**47,785**	53,781	61,236
Debt securities in issue	12, 21	**71,272**	58,690	64,589
Other liabilities	12, 22	**34,006**	28,719	27,338
Current tax liabilities		**1,162**	1,286	1,050
Accruals and deferred income		**5,154**	4,212	4,668
Subordinated liabilities and other borrowed funds	12, 23	**24,691**	18,393	20,397
Deferred tax liabilities		**218**	178	176
Provisions for liabilities and charges		**102**	147	107
Retirement benefit obligations	24	**472**	411	365
Total liabilities		**641,576**	604,599	627,539
Equity				
Share capital	25	**1,235**	1,212	1,214
Reserves		**47,042**	43,556	45,032
Total parent company shareholders' equity		**48,277**	44,768	46,246
Non-controlling interests	26	**285**	590	595
Total equity		**48,562**	45,358	46,841
Total equity and liabilities		**690,138**	649,957	674,380

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2014

	Share capital $million	Share premium account $million	Capital and capital redemption reserve[1] $million	Merger reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders equity $million	Non-controlling interests $million	Total $million
At 1 January 2013	1,207	5,476	18	12,421	478	81	(885)	26,566	45,362	693	46,055
Profit for the period	-	-	-	-	-	-	-	2,181	2,181	55	2,236
Other comprehensive income	-	-	-	-	(277)	(132)	(1,023)	34[2]	(1,398)	(16)	(1,414)
Distributions	-	-	-	-	-	-	-	-	-	(38)	(38)
Shares issued, net of expenses	4	17	-	-	-	-	-	-	21	-	21
Net own shares adjustment	-	-	-	-	-	-	-	(129)	(129)	-	(129)
Share option expense, net of taxation	-	-	-	-	-	-	-	103	103	-	103
Capitalised on scrip dividend	1	(1)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(1,372)	(1,372)	-	(1,372)
Other decreases[3]	-	-	-	-	-	-	-	-	-	(104)	(104)
At 30 June 2013	1,212	5,492	18	12,421	201	(51)	(1,908)	27,383	44,768	590	45,358
Profit for the period	-	-	-	-	-	-	-	1,909	1,909	55	1,964
Other comprehensive income	-	-	-	-	245	66	(198)	19[2]	132	(15)	117
Distributions	-	-	-	-	-	-	-	-	-	(39)	(39)
Shares issued, net of expenses	1	2	-	-	-	-	-	-	3	-	3
Net own shares adjustment	-	-	-	-	-	-	-	5	5	-	5
Share option expense, net of taxation	-	-	-	-	-	-	-	137	137	-	137
Capitalised on scrip dividend	1	(1)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(696)	(696)	-	(696)
Other (decreases)/increases	-	-	-	-	-	-	-	(12)	(12)	4	(8)
At 31 December 2013	**1,214**	**5,493**	**18**	**12,421**	**446**	**15**	**(2,106)**	**28,745**	**46,246**	**595**	**46,841**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,360**	**2,360**	**44**	**2,404**
Other comprehensive income	**-**	**-**	**-**	**-**	**(5)**	**59**	**323**	**(57)[2]**	**320**	**(15)**	**305**
Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(47)**	**(47)**
Shares issued, net of expenses	**3**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**-**	**9**
Net own shares adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(89)**	**(89)**	**-**	**(89)**
Share option expense, net of taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**135**	**135**	**-**	**135**
Capitalised on scrip dividend	**18**	**(18)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends, net of scrip	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(718)**	**(718)**	**-**	**(718)**
Other increases/(decreases)[4]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**14**	**(292)**	**(278)**
At 30 June 2014	**1,235**	**5,481**	**18**	**12,421**	**441**	**74**	**(1,783)**	**30,390**	**48,277**	**285**	**48,562**

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

[2] For the period ended 30 June 2014, comprises actuarial loss, net of taxation and non-controlling interests of $57 million (30 June 2013: gain of $37 million and 31 December 2013: gain of $21 million) and share of comprehensive income from associates and joint ventures of $nil million (30 June 2013: $(3) million and 31 December 2013: $(2) million)

[3] Relate to the impact of losing control in a subsidiary after divesting from the company

[4] Further details are available in note 26

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2014

	Notes	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Cash flows from operating activities				
Profit before taxation		**3,253**	3,325	2,739
Adjustments for:				
Non-cash items and other adjustments included within income statement	27	**1,540**	2,041	2,080
Change in operating assets	27	**(1,024)**	(35,770)	(8,374)
Change in operating liabilities	27	**7,835**	26,942	18,310
Contributions to defined benefit schemes		**(25)**	(77)	(91)
UK and overseas taxes paid		**(832)**	(836)	(880)
Net cash from/(used in) operating activities		**10,747**	(4,375)	13,784
Net cash flows from investing activities				
Purchase of property, plant and equipment		**(74)**	(89)	(116)
Disposal of property, plant and equipment		**21**	54	102
Acquisition of associates and joint ventures, net of cash acquired		**-**	-	(46)
Purchase of investment securities		**(93,521)**	(72,839)	(70,049)
Disposal and maturity of investment securities		**96,450**	74,828	62,335
Dividends received from associates and joint ventures		**11**	4	1
Net cash from/(used in) investing activities		**2,887**	1,958	(7,773)
Net cash flows from financing activities				
Issue of ordinary and preference share capital, net of expenses		**9**	21	3
Purchase of own shares		**(105)**	(154)	-
Exercise of share options through ESOP		**16**	25	5
Interest paid on subordinated liabilities		**(530)**	(492)	(321)
Gross proceeds from issue of subordinated liabilities		**4,056**	2,750	2,698
Repayment of subordinated liabilities		**(285)**	(1,689)	(927)
Repayment to non-controlling interests		**(300)**	(104)	-
Interest paid on senior debts		**(408)**	(500)	(63)
Gross proceeds from issue of senior debts		**3,394**	4,252	2,564
Repayment of senior debts		**(4,255)**	(2,406)	(1,324)
Dividends paid to non-controlling interests and preference shareholders, net of scrip		**(97)**	(88)	(90)
Dividends paid to ordinary shareholders, net of scrip		**(668)**	(1,322)	(645)
Net cash from financing activities		**827**	293	1,900
Net increase/(decrease) in cash and cash equivalents		**14,461**	(2,124)	7,911
Cash and cash equivalents at beginning of the period		**84,156**	79,518	76,491
Effect of exchange rate movements on cash and cash equivalents		**224**	(903)	(246)
Cash and cash equivalents at end of the period	28	**98,841**	76,491	84,156

1. Basis of preparation

The Group consolidated interim financial statements consolidate those of Standard Chartered PLC (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates and jointly controlled entities.

These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at, and for, the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the EU.

The Risk Review and Capital sections form part of these interim financial statements as set out on page 25 and page 83.

These interim financial statements were approved by the Board of Directors on 6 August 2014. The Directors have assessed the ability of the Group to continue as a going concern. The Directors confirm they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason the Group continues to adopt the "going concern" basis of accounting for preparing financial statements.

Except as noted below, the accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for, the year ended 31 December 2013. The following accounting standards and amendments have been endorsed by the EU.

Accounting standards adopted for reporting periods beginning 1 January 2014

Amendment to IAS 32 *Financial Instruments: Presentation* clarifies the requirements for offsetting financial assets and liabilities and addresses inconsistencies noted in current practice when applying the offsetting criteria in IAS 32. These amendments require retrospective application.

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27), requires entities meeting the definition of an investment entity to not consolidate its subsidiaries or apply IFRS 3 Business Combinations when it obtains control of another entity.

These amendments have been endorsed by EU and do not have a material impact on the Group.

IFRIC 21 Levies, an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, provides guidance when to recognise a liability for a levy imposed by a Government. IFRIC 21 identifies the obligating event for the recognition of a liability. If that obligating event occurs over a period of time, the levy is recognised proportionately. If it is a triggered by a minimum threshold, the liability is recognised when that threshold is reached. The impact of this Interpretation on the Group was not significant.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*: Novation of Derivatives and Continuation of Hedge Accounting clarifies that there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments did not have a significant impact on the Group's financial statements.

Amendments to IAS 36 *Impairment of Assets* modifies the disclosure of information relating to the recoverable amount of impaired assets, particularly if that amount is based on fair value less costs of disposal. The amendments did not have a significant impact on the Group's financial statements.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. These include:

IFRS 15 *Revenue from contracts with customers* which outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with earlier application permitted. The EU has not yet endorsed this standard. The Group is yet to assess IFRS 15's full impact but it is not expected to be significant.

IFRS 9 *Financial Instruments* which will replace IAS 39 and is effective for periods on or after 1 January 2018. IFRS 9 has three main components; Classification and Measurement, Impairment and Hedge accounting. The EU has not yet endorsed this standard. The Group is yet to assess IFRS 9's full impact.

Significant judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at, and for, the year ended 31 December 2013. A summary of the Group's significant accounting policies will be included in the 2014 Annual Report and Account.

Prior period restatements

In January 2014 the Group announced a change to its organisation structure. In accordance with IFRS 8, *Segmental reporting*, the presentation of the Group's interim results have been updated to reflect the Group's new client segments – Corporate & Institutional, Commercial, Private Banking and Retail.

While these restatements affect the reported results of the divisions that comprise the Group's business, it has no impact on the Group's overall income statement, balance sheet or reported metrics.

Change in accounting estimates

During the period the Group changed the useful economic life of technology assets from 3 to 5 years to better reflect the extended life of these assets. The change in accounting estimate has reduced amortisation costs for the 6 month period ended 30 June 2014 by $52 million relative to 30 June 2013. The expected full year impact is estimated to reduce by $110 million relative to 31 December 2013.

2. Segmental Information

The Group is organised on a worldwide basis for management and reporting purposes into four client segments: Corporate and Institutional, Commercial, Private Banking and Retail. 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 arms length basis. Apart from the entities that have been acquired in the last two years, Group 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.

Operating profit by client segment

	30.06.14						
	Corporate and Institutional	Commercial	Private Banking	Retail	Total reportable Segments	Corporate items not allocated	Total
	$million	$million	$million	$million	$million	$million	$million
Internal income	(8)	11	(14)	11	-	-	-
Net interest income	2,986	365	187	2,066	5,604	-	5,604
Non-interest income[1]	2,341	240	141	928	3,650	-	3,650
Operating income	5,319	616	314	3,005	9,254	-	9,254
Operating expenses	(2,546)	(362)	(227)	(1,948)	(5,083)	-	(5,083)
Operating profit before impairment losses and taxation	2,773	254	87	1,057	4,171	-	4,171
Impairment losses on loans and advances and other credit risk provisions	(266)	(100)	-	(480)	(846)	-	(846)
Other impairment	(169)	-	(16)	-	(185)	-	(185)
Profit from associates and joint ventures	90	11	-	12	113	-	113
Profit before taxation	2,428	165	71	589	3,253	-	3,253
Total assets employed	469,769	35,641	25,631	151,973	683,014	7,124	690,138
Of which: Loans to customers[2]	168,348	17,632	18,134	100,947	305,061	-	305,061
Total liabilities employed	414,709	43,261	37,554	144,672	640,196	1,380	641,576
Of which: Customer accounts	211,357	31,431	30,606	117,129	390,523	-	390,523
Other segment items:							
Capital expenditure[3]	362	35	12	51	460	-	460
Depreciation	146	5	1	55	207	-	207
Interests in associates and joint ventures	1,137	459	20	316	1,932	-	1,932
Amortisation of intangible assets	73	3	2	28	106	-	106

1 Non-interest income includes an own credit adjustment of $(15) million

2 The analysis is based on the location of the customers rather than booking location of the loan

3 Includes capital expenditure $216 million in respect of operating lease asset

2. Segmental Information continued

Operating profit by client segment continued

	30.06.13						
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total reportable Segments $million	Corporate items not allocated $million	Total $million
Internal income	(32)	19	(22)	35	-	-	-
Net interest income	2,947	378	173	2,100	5,598	-	5,598
Non-interest income[1]	2,899	415	150	926	4,390	-	4,390
Operating income	5,814	812	301	3,061	9,988	-	9,988
Operating expenses	(2,500)	(374)	(213)	(1,947)	(5,034)	-	(5,034)
Operating profit before impairment losses and taxation	3,314	438	88	1,114	4,954	-	4,954
Impairment losses on loans and advances and other credit risk provisions	(197)	(43)	(8)	(482)	(730)	-	(730)
Other impairment							
Goodwill impairment[2]	-	-	-	-	-	(1,000)	(1,000)
Other impairment	(28)	14	-	3	(11)	-	(11)
Profit from associates and joint ventures	79	17	1	15	112	-	112
Profit before taxation	3,168	426	81	650	4,325	(1,000)	3,325
Total assets employed	441,257	33,834	20,464	147,525	643,080	6,877	649,957
Of which: Loans to customers[3]	158,461	17,338	14,681	101,313	291,793	-	291,793
Total liabilities employed	387,884	43,429	35,349	136,473	603,135	1,464	604,599
Of which: Customer accounts	206,125	31,883	30,275	112,502	380,785	-	380,785
Other segment items:							
Capital expenditure[4]	561	31	7	93	692	-	692
Depreciation	145	6	-	62	213	-	213
Interests in associates and joint ventures	965	472	36	346	1,819	-	1,819
Amortisation of intangible assets	91	7	4	36	138	-	138

1 Non-interest income includes an own credit adjustment of $237 million
2 Relates to goodwill impairment charge on the Korea business
3 The analysis is based on the location of the customers rather than booking location of the loan
4 Includes capital expenditure of $434 million in respect of operating lease assets

2. Segmental Information continued

	31.12.13						
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total reportable segments $million	Corporate items not allocated $million	Total $million
Internal income	(21)	16	(22)	27	-	-	-
Net interest income	2,922	387	176	2,073	5,558	-	5,558
Non-interest income[1]	2,047	296	131	757	3,231	-	3,231
Operating income	4,948	699	285	2,857	8,789	-	8,789
Operating expenses	(2,454)	(357)	(194)	(1,919)	(4,924)	(235)	(5,159)
Operating profit before impairment losses and taxation	2,494	342	91	938	3,865	(235)	3,630
Impairment losses on loans and advances and other credit risk provisions	(291)	(114)	-	(482)	(887)	-	(887)
Other impairment	(85)	(27)	-	(6)	(118)	-	(118)
Profit from associates and joint ventures	77	20	1	16	114	-	114
Profit before taxation	2,195	221	92	466	2,974	(235)	2,739
Total assets employed	456,068	35,729	23,637	152,113	667,547	6,833	674,380
Of which: Loans to customers[2]	160,906	17,802	17,159	100,148	296,015	-	296,015
Total liabilities employed	404,097	45,845	38,191	138,180	626,313	1,226	627,539
Of which: Customer accounts	211,051	33,705	32,212	114,003	390,971	-	390,971
Other segment items:							
Capital expenditure[3]	592	46	4	117	759	-	759
Depreciation	150	5	-	65	220	-	220
Interests in associates and joint ventures	982	417	36	332	1,767	-	1,767
Amortisation of intangible assets	83	7	4	49	143	-	143

1 Non-interest income includes an own credit adjustment of $(131) million

2 The analysis is based on the location of the customers rather than booking location of the loan

3 Includes capital expenditure of $440 million in respect of operating lease assets

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

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Transaction Banking	**1,918**	1,964	1,947
Trade	**999**	1,042	1,027
Cash Management and Custody	**919**	922	920
Financial Markets[1]	**1,765**	2,449	1,513
Corporate Finance	**1,241**	1,238	1,281
Wealth Management	**817**	755	694
Retail Products	**2,435**	2,588	2,458
Cards, Personal Loans and Unsecured Lending	**1,315**	1,401	1,387
Deposits	**598**	605	588
Mortgage & Auto	**474**	519	478
Other Retail Products	**48**	63	5
Others	**1,078**	994	896
Asset and Liability Management	**420**	305	243
Lending and Portfolio Management	**529**	522	543
Principal Finance	**129**	167	110
Total operating income	**9,254**	**9,988**	**8,789**

1 Includes $(15) million (June 2013: $237 million and December 2013: $(131) million) relating to an own credit adjustment

2. Segmental Information continued

Operating profit 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.

	30.06.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Internal income	9	(38)	17	48	53	43	1	(133)	-
Net interest income	1,506	631	624	1,101	471	484	195	592	5,604
Fees and commissions income, net	646	114	143	489	216	201	168	84	2,061
Net trading income	456	(31)	118	130	158	107	37	(21)	954
- Underlying	423	(31)	118	157	158	107	37	-	969
- Own credit adjustment	33	-	-	(27)	-	-	-	(21)	(15)
Other operating income	201	33	57	125	53	43	13	110	635
Operating income	2,818	709	959	1,893	951	878	414	632	9,254
Operating expenses	(1,410)	(616)	(379)	(1,030)	(482)	(467)	(300)	(399)	(5,083)
Operating profit before impairment losses and taxation	1,408	93	580	863	469	411	114	233	4,171
Impairment losses on loans and advances and other credit risk provisions	(212)	(209)	(61)	(215)	(27)	(94)	-	(28)	(846)
Other impairment	(95)	-	-	(3)	-	-	-	(87)	(185)
Profit from associates and joint ventures	84	-	-	29	-	-	-	-	113
Profit/(loss) before taxation	1,185	(116)	519	674	442	317	114	118	3,253
Total assets employed[1]	209,019	68,880	38,617	158,437	43,056	27,788	68,228	146,430	
Of which: Loans to customers[2]	95,848	29,626	24,324	86,561	23,941	13,766	11,277	19,718	
Capital expenditure[3]	237	14	16	155	7	17	1	13	460

	30.06.14						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Net interest income	948	589	568	520	316	420	394
Fees and commissions income, net	511	299	105	108	138	62	56
Net trading income	396	61	(35)	86	103	10	(30)
- Underlying	364	81	(36)	86	103	9	(9)
- Own credit adjustment	32	(20)	1	-	-	1	(21)
Other operating income	169	66	32	45	39	24	94
Operating income	2,024	1,015	670	759	596	516	514
Operating expenses	(866)	(551)	(587)	(308)	(286)	(371)	(308)
Operating profit before impairment losses and taxation	1,158	464	83	451	310	145	206
Impairment losses on loans and advances and other credit risk provisions	(163)	(28)	(209)	(56)	(21)	(35)	(26)
Other impairment	(95)	(1)	-	-	-	-	(87)
Profit from associates and joint ventures	-	-	-	-	-	84	-
Profit/(loss) before taxation	900	435	(126)	395	289	194	93
Total assets employed[1]	151,672	117,708	57,397	33,101	27,890	36,819	146,612
Of which: Loans to customers[2]	66,979	61,481	28,835	21,415	15,256	16,467	16,441
Capital expenditure	230	144	14	14	1	3	10

[1] Includes intra-group assets
[2] The analysis is based on the location of the customers rather than booking location of the loan
[3] Includes capital expenditure in Hong Kong of $216 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

2. Segmental Information continued

Operating profit by geographic regions and key countries continued

Entity-wide information

	30.06.13								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Internal income	43	(36)	47	41	48	63	(1)	(205)	-
Net interest income	1,412	663	625	1,112	469	489	189	639	5,598
Fees and commissions income, net	563	143	168	506	220	201	176	118	2,095
Net trading income	518	69	126	399	198	99	72	204	1,685
- Underlying	511	67	126	306	198	99	72	69	1,448
- Own credit adjustment	7	2	-	93	-	-	-	135	237
Other operating income	130	99	133	121	36	1	7	83	610
Operating income	2,666	938	1,099	2,179	971	853	443	839	9,988
Operating expenses	(1,384)	(585)	(425)	(1,069)	(493)	(421)	(278)	(379)	(5,034)
Operating profit before impairment losses and taxation	1,282	353	674	1,110	478	432	165	460	4,954
Impairment losses on loans and advances and other credit risk provisions	(127)	(193)	(117)	(172)	(34)	(75)	(7)	(5)	(730)
Other impairment	6	(1,019)	-	1	-	-	-	1	(1,011)
Profit from associates and joint ventures	73	-	-	38	-	-	-	1	112
Profit/(loss) before taxation	1,234	(859)	557	977	444	357	158	457	3,325
Total assets employed[1]	192,557	66,232	40,799	152,220	42,540	23,589	68,772	134,511	
Of which: Loans to customers[2]	86,411	32,587	26,109	82,259	23,322	12,600	9,286	19,219	
Capital expenditure[3]	463	8	18	158	7	19	2	17	692

	30.06.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Net interest income	911	533	609	558	325	381	376
Fees and commissions income, net	434	290	132	140	153	67	88
Net Trading income	444	233	60	90	129	20	182
- Underlying	442	169	58	90	129	15	47
- Own credit adjustment	2	64	2	-	-	5	135
Other operating income	142	131	99	120	24	(15)	55
Operating income	1,931	1,187	900	908	631	453	701
Operating expenses	(826)	(614)	(549)	(356)	(290)	(383)	(297)
Operating profit before impairment losses and taxation	1,105	573	351	552	341	70	404
Impairment losses on loans and advances and other credit risks provisions	(70)	(39)	(193)	(113)	(17)	(27)	(3)
Other impairment	(2)	10	(1,019)	-	-	6	1
Profit from associates and joint ventures	-	-	-	-	-	73	1
Profit/(loss) before taxation	1,033	544	(861)	439	324	122	403
Total assets employed[1]	140,620	108,411	56,477	35,935	26,870	31,551	131,128
Of which: Loans to customers[2]	57,645	55,334	31,681	23,512	14,657	16,293	16,071
Capital expenditure	448	143	9	10	2	14	17

[1] Includes intra-group assets
[2] The analysis is based on the location of the customers rather than booking location of the loan
[3] Includes capital expenditure in Hong Kong of $434 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

2. Segmental Information continued

Operating profit by geographic regions and key countries continued

Entity-wide information

	31.12.13								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Internal income	42	(37)	10	42	48	66	5	(176)	-
Net interest income	1,450	649	642	1,063	479	503	204	568	5,558
Fees and commissions income, net	566	112	158	470	199	216	180	105	2,006
Net trading income	276	19	98	198	140	85	24	(11)	829
- Underlying	284	19	98	246	140	85	24	64	960
- Own credit adjustment	(8)	-	-	(48)	-	-	-	(75)	(131)
Other operating income	197	(40)	33	104	28	28	2	44	396
Operating income	2,531	703	941	1,877	894	898	415	530	8,789
Operating expenses	(1,388)	(601)	(398)	(1,006)	(467)	(441)	(258)	(600)	(5,159)
Operating profit before impairment losses and taxation	1,143	102	543	871	427	457	157	(70)	3,630
Impairment losses on loans and advances and other credit risk provisions	(115)	(234)	(98)	(224)	(13)	(195)	(4)	(4)	(887)
Other impairment	(5)	(10)	(105)	1	-	-	-	1	(118)
Profit from associates and joint ventures	73	-	-	40	-	-	-	1	114
Profit/(loss) before taxation	1,096	(142)	340	688	414	262	153	(72)	2,739
Total assets employed[1]	206,332	67,159	39,700	159,346	42,430	24,892	71,380	134,249	
Of which: Loans to customers[2]	89,846	30,618	25,608	82,852	23,535	13,122	10,429	20,005	
Capital expenditure[3]	481	20	13	186	4	26	3	26	759

	31.12.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Net interest income	924	539	590	534	327	407	331
Fees and commissions income, net	441	289	104	124	138	62	73
Net trading income	278	78	13	69	104	(33)	(21)
- Underlying income	280	113	14	69	104	(27)	54
- Own credit adjustment	(2)	(35)	(1)	-	-	(6)	(75)
Other operating income	151	39	(43)	28	22	44	26
Operating income	1,794	945	664	755	591	480	409
Operating expenses	(840)	(515)	(571)	(328)	(283)	(370)	(515)
Operating profit before impairment losses and taxation	954	430	93	427	308	110	(106)
Impairment losses on loans and advances and other credit risk provisions	(65)	(49)	(234)	(82)	(35)	(31)	(3)
Other impairment	(2)	-	(10)	(105)	-	(2)	1
Profit from associates and joint ventures	-	-	-	-	-	73	1
Profit/(loss) before taxation	887	381	(151)	240	273	150	(107)
Total assets employed[1]	149,318	115,561	55,921	34,470	28,813	35,128	132,162
Of which: Loans to customers[2]	61,173	57,540	29,760	22,767	15,734	15,489	16,543
Capital expenditure	457	177	18	16	1	12	24

1 Includes intra-group assets
2 The analysis is based on the location of the customers rather than booking location of the loan
3 Includes capital expenditure in Hong Kong of $440 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

2. Segmental Information continued

Net interest margin and yield

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Net interest margin (%)	**2.1**	2.2	2.1
Net interest yield (%)	**2.0**	2.1	2.0
Average interest-earning assets	**543,173**	512,250	530,172
Average interest-bearing liabilities	**512,566**	477,113	499,699

Net interest margin by geography

	30.06.14									
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Intra-group/ tax assets $million	Total $million
Average interest-earning assets	**173,336**	**58,554**	**32,663**	**125,702**	**35,524**	**22,652**	**63,303**	**89,870**	**(58,431)**	**543,173**
Net interest income	**1,517**	**594**	**643**	**1,154**	**522**	**530**	**196**	**448**	**-**	**5,604**
Net interest margin (%)	**1.8**	**2.0**	**4.0**	**1.9**	**3.0**	**4.7**	**0.6**	**1.0**	**-**	**2.1**

	30.06.13									
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Intra-group/ tax assets $million	Total $million
Average interest-earning assets	158,644	58,121	34,436	123,006	35,072	21,137	55,596	80,733	(54,495)	512,250
Net interest income	1,453	628	673	1,157	519	554	188	426	-	5,598
Net interest margin (%)	1.8	2.2	3.9	1.9	3.0	5.3	0.7	1.1	-	2.2

	31.12.13									
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Intra-group/ tax assets $million	Total $million
Average interest-earning assets	166,369	57,500	32,967	123,922	35,771	19,013	63,558	86,799	(55,727)	530,172
Net interest income	1,494	612	653	1,113	527	569	208	382	-	5,558
Net interest margin (%)	1.8	2.1	3.9	1.8	2.9	5.9	0.6	0.9	-	2.1

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:

	30.06.14								
	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	12,156	318	2,927	9,826	10,038	6,401	2,814	2,523	47,003
Interest bearing current accounts and savings deposits	75,679	21,401	2,777	41,637	4,605	2,635	20,737	20,347	189,818
Time deposits	58,498	15,690	8,971	51,386	10,996	3,370	11,316	32,063	192,290
Other deposits	2,687	1,036	809	2,206	374	129	466	4,080	11,787
Total	149,020	38,445	15,484	105,055	26,013	12,535	35,333	59,013	440,898
Deposits by banks	8,670	4,472	501	7,096	1,777	822	18,128	8,909	50,375
Customer accounts	140,350	33,973	14,983	97,959	24,236	11,713	17,205	50,104	390,523
	149,020	38,445	15,484	105,055	26,013	12,535	35,333	59,013	440,898
Debt securities in issue:									
Senior debt	1,465	3,856	-	-	53	6	-	19,203	24,583
Other debt securities	5,657	7,521	39	3,662	-	136	16,205	22,521	55,741
Subordinated liabilities and other borrowed funds	1,712	366	-	-	25	50	-	22,538	24,691
Total	157,854	50,188	15,523	108,717	26,091	12,727	51,538	123,275	545,913

The above table includes financial instruments held at fair value (see note12).

	30.06.14						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Non-interest bearing current and demand accounts	11,286	7,733	61	2,193	6,785	723	450
Interest bearing current accounts and savings deposits	59,216	32,188	20,065	1,679	2,065	7,024	18,361
Time deposits	37,230	41,151	11,698	7,620	9,393	13,179	29,283
Other deposits	569	1,298	445	615	331	2,107	4,080
Total	108,301	82,370	32,269	12,107	18,574	23,033	52,174
Deposits by banks	4,413	5,217	1,426	405	1,479	3,772	8,074
Customer accounts	103,888	77,153	30,843	11,702	17,095	19,261	44,100
	108,301	82,370	32,269	12,107	18,574	23,033	52,174
Debt securities in issue:							
Senior debt	10	-	3,856	-	-	818	19,202
Other debt securities	4,862	3,392	3,829	39	-	-	22,521
Subordinated liabilities and other borrowed funds	1,377	-	365	-	-	-	22,538
Total	114,550	85,762	40,319	12,146	18,574	23,851	116,435

The above table includes financial instruments held at fair value (see note12).

2. Segmental Information continued

Deposits structure by geographic regions and key countries continued

	30.06.13								
	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	10,088	297	2,985	10,004	8,922	3,626	2,745	5,197	43,864
Interest bearing current accounts and savings deposits	71,346	19,207	2,618	41,990	4,072	3,101	14,730	14,967	172,031
Time deposits	59,951	18,221	7,968	47,173	10,649	4,149	14,015	41,121	203,247
Other deposits	1,218	596	1,830	1,012	244	169	-	1,964	7,033
Total	142,603	38,321	15,401	100,179	23,887	11,045	31,490	63,249	426,175
Deposits by banks	6,548	4,545	496	4,890	1,514	611	15,777	11,009	45,390
Customer accounts	136,055	33,776	14,905	95,289	22,373	10,434	15,713	52,240	380,785
	142,603	38,321	15,401	100,179	23,887	11,045	31,490	63,249	426,175
Debt securities in issue:									
Senior debt	2,442	3,625	-	-	69	6	-	15,606	21,748
Other debt securities	2,509	6,306	75	3,737	-	242	15,603	15,304	43,776
Subordinated liabilities and other borrowed funds	1,707	587	-	-	25	50	-	16,024	18,393
Total	149,261	48,839	15,476	103,916	23,981	11,343	47,093	110,183	510,092

The above table includes financial instruments held at fair value (see note 12).

	30.06.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Non-interest bearing current and demand accounts	9,277	7,486	63	2,198	6,236	676	3,118
Interest bearing current accounts and savings deposits	55,767	32,741	17,927	1,686	1,689	6,900	12,952
Time deposits	37,982	35,413	13,705	6,609	8,615	12,667	38,173
Other deposits	1,165	158	565	1,707	173	49	1,964
Total	104,191	75,798	32,260	12,200	16,713	20,292	56,207
Deposits by banks	3,788	2,505	2,493	474	1,142	1,772	10,440
Customer accounts	100,403	73,293	29,767	11,726	15,571	18,520	45,767
	104,191	75,798	32,260	12,200	16,713	20,292	56,207
Debt securities in issue:							
Senior debt	408	-	3,625	-	-	815	15,606
Other debt securities	1,915	2,767	3,717	75	-	-	15,295
Subordinated liabilities and other borrowed funds	1,370	-	586	-	-	-	16,012
Total	107,884	78,565	40,188	12,275	16,713	21,107	103,120

The above table includes financial instruments held at fair value (see note 12).

2. Segmental Information continued

Deposits structure by geographic regions and key countries continued

	31.12.13								
	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	10,022	409	3,093	10,815	9,696	5,465	3,513	2,469	45,482
Interest bearing current accounts and savings deposits	77,075	20,258	2,484	40,253	3,915	2,429	18,173	16,572	181,159
Time deposits	62,479	16,090	9,119	49,198	11,197	3,985	10,825	37,249	200,142
Other deposits	351	1,023	1,364	2,426	181	207	-	3,162	8,714
Total	149,927	37,780	16,060	102,692	24,989	12,086	32,511	59,452	435,497
Deposits by banks	4,652	3,719	542	6,917	1,491	566	17,739	8,900	44,526
Customer accounts	145,275	34,061	15,518	95,775	23,498	11,520	14,772	50,552	390,971
	149,927	37,780	16,060	102,692	24,989	12,086	32,511	59,452	435,497
Debt securities in issue:									
Senior debt	2,187	4,094	-	-	53	6	-	18,839	25,179
Other debt securities	2,848	6,069	46	2,961	-	214	14,450	19,645	46,233
Subordinated liabilities and other borrowed funds	1,696	635	-	-	24	51	-	17,991	20,397
Total	156,658	48,578	16,106	105,653	25,066	12,357	46,961	115,927	527,306

The above table includes financial instruments held at fair value (see note 12).

	31.12.13						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Non-interest bearing current and demand accounts	9,166	8,654	50	2,314	6,835	696	988
Interest bearing current accounts and savings deposits	59,348	30,851	19,157	1,604	1,709	7,813	14,484
Time deposits	39,476	38,020	12,096	7,606	9,255	13,321	34,004
Other deposits	214	1,482	541	1,241	145	129	3,153
Total	108,204	79,007	31,844	12,765	17,944	21,959	52,629
Deposits by banks	2,091	4,792	1,479	457	1,180	1,888	8,309
Customer accounts	106,113	74,215	30,365	12,308	16,764	20,071	44,320
	108,204	79,007	31,844	12,765	17,944	21,959	52,629
Debt securities in issue:							
Senior debt	144	-	4,094	-	-	818	18,839
Other debt securities	2,167	2,621	3,215	46	-	-	19,645
Subordinated liabilities and other borrowed funds	1,359	-	635	-	-	-	17,991
Total	111,874	81,628	39,788	12,811	17,944	22,777	109,104

The above table includes financial instruments held at fair value (see note 12).

3. Net trading income

	6 months ended 30.06.14 $million	6 months ended 30.06.13[2] $million	6 months ended 31.12.13[2] $million
Gains less losses on instruments held for trading:			
Foreign currency[1]	**58**	563	555
Trading securities	**146**	(544)	341
Interest rate derivatives	**871**	997	(108)
Credit and other derivatives	**(35)**	420	213
	1,040	1,436	1,001
Gains less losses from fair value hedging:			
Gains less losses from fair value hedged items	**(280)**	818	489
Gains less losses from fair value hedged instruments	**267**	(819)	(503)
	(13)	(1)	(14)
Gains less losses on instruments designated at fair value:			
Financial assets designated at fair value through profit or loss	**(7)**	47	50
Financial liabilities designated at fair value through profit or loss	**(382)**	163	9
Own credit adjustment	**(15)**	237	(131)
Derivatives managed with financial instruments designated at fair value through profit or loss	**331**	(197)	(86)
	(73)	250	(158)
	954	1,685	829

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

2 Amounts reclassified for consistent presentation

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.

4. Other operating income

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Other operating income includes:			
Gains less losses on disposal of financial instruments:			
Available-for-sale	**249**	210	38
Loans and receivables	**2**	5	-
Dividend income	**64**	64	40
Rental income from operating lease assets	**247**	239	246
Gain on disposal of property, plant and equipment	**19**	31	71
Fair value loss on business classified as held for sale	**(5)**	-	(49)

5. Operating expenses

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Staff costs:			
Wages and salaries	**2,596**	2,574	2,408
Social security costs	**89**	84	76
Other pension costs (note 24)	**170**	168	168
Share based payment costs	**143**	154	110
Other staff costs	**456**	417	411
	3,454	3,397	3,173

Variable compensation is included within wages and salaries. Other staff costs primarily include training and travel costs.

5. Operating expenses continued

The following tables summarise the number of employees within the Group:

	Business	Support services	Total
At 30 June 2014	**48,794**	**39,892**	**88,686**
Average for the 6 months ended 30 June 2014	**47,564**	**39,827**	**87,391**

	Business	Support services	Total
At 30 June 2013	48,545	39,645	88,190
Average for the 6 months ended 30 June 2013	49,621	39,569	89,190

	Business	Support services	Total
At 31 December 2013	46,892	39,748	86,640
Average for the 6 months ended 31 December 2013	47,618	39,698	87,316

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Premises and equipment expenses:			
Rental of premises	**230**	220	220
Other premises and equipment costs	**199**	193	222
Rental of computers and equipment	**12**	13	9
	441	426	451
General administrative expenses:			
UK bank levy	**-**	-	235
Other general administrative expenses	**875**	860	937
	875	860	1,172

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 2014 is 0.156 per cent for chargeable short-term liabilities, with a lower rate of 0.078 per cent generally applied to chargeable equity and long-term liabilities (i.e. liabilities with a remaining maturity greater than one year). The rate for 2013 was 0.13 per cent for qualifying liabilities, with a long-term rate of 0.065 per cent.

Under current accounting requirements, the UK bank levy is only recognised in the financial statements on 31 December each year. The Group estimates that the liability in respect of 2014 would be between $350 million and $380 million. If the UK bank levy had been included in these interim financial statements, based on the estimated year end liabilities the impact would be as follows:

	30.06.14 (Excluding UK bank Levy)	**UK bank Levy Impact**	**30.06.14 (Including UK bank Levy)**
Profit before tax ($million)	**3,253**	**(183)**	**3,070**
Normalised earnings per share (cents)	**96.5**	**(7.5)**	**89.0**
Normalised return on equity (per cent)	**10.4**	**(0.8)**	**9.6**

6. Depreciation and amortisation

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Premises	**49**	54	54
Equipment:			
Operating lease assets	**107**	100	106
Others	**51**	59	60
Intangibles:			
Software	**85**	108	118
Acquired on business combinations	**21**	30	25
	313	351	363

7. 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:

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Net charge against profit on loans and advances:			
Individual impairment charge	**819**	692	905
Portfolio impairment charge/(release)	**28**	34	(19)
	847	726	886
Provisions release related to credit commitments	**(1)**	-	-
Impairment charges relating to debt securities classified as loans and receivables	**-**	4	1
	846	730	887

An analysis of impairment provisions by geography for loans and advances to customers is set out within the Risk review on page 47.

8. Other impairment

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Impairment losses on available-for-sale financial assets:			
- Asset backed securities	**-**	(1)	(1)
- Other debt securities	**55**	2	54
- Equity shares	**4**	39	51
	59	40	104
Impairment of associates	**16**	-	-
Impairment of goodwill	**-**	1,000	-
Impairment of commodity assets	**113**	-	-
Other	**-**	-	14
	188	1,040	118
Recovery of impairment on disposal of instruments[1]	**(3)**	(29)	-
	185	1,011	118

[1] Relates to investment securities sold during the period which had impairment provisions raised against them in previous periods

9. Taxation

Analysis of taxation charge in the period:	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
The charge for taxation based upon the profits for the period comprises:			
Current tax:			
United Kingdom corporation tax at 21.5 per cent (30 June 2013 and 31 December 2013: 23.25 per cent):			
Current tax on income for the period	**53**	136	3
Adjustments in respect of prior periods (including double taxation relief)	**(3)**	(2)	(1)
Double taxation relief	**(4)**	(5)	(4)
Foreign tax:			
Current tax on income for the period	**873**	961	633
Adjustments in respect of prior periods	**(5)**	-	(37)
	914	1,090	594
Deferred tax:			
Origination of temporary differences	**(50)**	(11)	176
Adjustments in respect of prior periods	**(15)**	10	5
	(65)	(1)	181
Tax on profits on ordinary activities	**849**	1,089	775
Effective tax rate	**26.1%**	32.8%	28.3%

The UK corporation tax rate was reduced from 23 per cent to 21 per cent with an effective date of 1 April 2014, giving a blended 21.5 per cent for the year.

Foreign taxation includes current taxation on Hong Kong profits of $113 million (30 June 2013: $134 million, 31 December 2013: $108 million) provided at a rate of 16.5 per cent (30 June 2013 and 31 December 2013: 16.5 per cent) on the profits assessable in Hong Kong.

Deferred taxation includes origination/reversal of temporary differences on Hong Kong profits of $(1) million (30 June 2013: $(2) million, 31 December 2013: $3 million) provided at a rate of 16.5 per cent (30 June 2013 and 31 December 2013: 16.5 per cent) on the profits assessable to Hong Kong.

10. Dividends

Ordinary equity shares	30.06.14		30.06.13		31.12.13	
	cents per share	**$million**	cents per share	$million	cents per share	$million
2013/2012 Final dividend declared and paid during the period[1]	**57.20**	**1,385**	56.77	1,366	-	-
2013 Interim dividend declared and paid during the period[1]	**-**	**-**	-	-	28.80	696
	57.20	**1,385**	56.77	1,366	28.80	696

[1] The amounts are gross of scrip adjustments

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2014 and 2013. Interim dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2013 interim dividend of 28.80 cents per ordinary share ($696 million) was paid to eligible shareholders on 17 October 2013 and the final dividend of 57.20 cents per ordinary share ($1,385 million) was paid to eligible shareholders on 14 May 2014.

2014 recommended interim dividend

The 2014 interim dividend of 28.80 cents per share ($710 million) will be paid in either pounds sterling, Hong Kong dollars or US dollars on 20 October 2014 to shareholders on the UK register of members at the close of business in the UK (10:00 pm London time) on 15 August 2014, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 15 August 2014. The 2014 interim dividend will be paid in Indian rupees on 20 October 2014 to Indian Depository Receipt holders on the Indian register at the close of business in India on 14 August 2014.

It is intended that shareholders on the UK register and Hong Kong branch register will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 5 September 2014. Indian Depository Receipt holders will receive their dividend in Indian rupees only.

10. Dividends continued

Preference shares

		30.06.14 $million	30.06.13 $million	31.12.13 $million
Non-cumulative irredeemable preference shares:	7 3/8 per cent preference shares of £1 each[1]	**6**	6	5
	8 1/4 per cent preference shares of £1 each[1]	**6**	6	7
Non-cumulative redeemable preference shares:	8.125 per cent preference shares of $5 each[1,3]	**-**	38	37
	7.014 per cent preference shares of $5 each[2]	**26**	26	27
	6.409 per cent preference shares of $5 each[2]	**24**	24	24

1 Dividends on these preference shares are treated as interest expense and accrued accordingly
2 Dividends on those preference shares classified as equity are recorded in the period in which they are declared
3 These preference shares were redeemed on 27 November 2013

11. Earnings per ordinary share

	6 months ended 30.06.14			6 months ended 30.06.13		
	Profit[1] $million	Weighted average number of shares ('000)	Per share amount cents	Profit[1] $million	Weighted average number of shares ('000)	Per share amount cents
Basic earnings per ordinary share	**2,310**	**2,441,899**	**94.6**	2,131	2,418,845	88.1
Effect of dilutive potential ordinary shares:						
Options[2]	**-**	**16,259**	**-**	-	22,637	-
Diluted earnings per ordinary share	**2,310**	**2,458,158**	**94.0**	2,131	2,441,482	87.3

	6 months ended 31.12.13		
	Profit[1] $million	Weighted average number of shares ('000)	Per share amount cents
Basic earnings per ordinary share	1,858	2,429,428	76.5
Effect of dilutive potential ordinary shares:			
Options[2]	-	25,833	-
Diluted earnings per ordinary share	1,858	2,455,261	75.7

1 The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 10)
2 The impact of anti-dilutive options has been excluded from this amount as required by IAS 33

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

11. Earnings per ordinary share continued

The Group measures earnings per share on a normalised basis. This differs from earnings defined in IAS 33 *Earnings per share.* The table below provides a reconciliation:

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Operating income as reported	**9,254**	9,988	8,789
Items normalised:			
Fair value movements on own credit adjustment	**15**	(237)	131
Gain on disposal of property	**(19)**	(20)	(57)
Fair value loss on business classified as held for sale	**5**	-	49
	1	(257)	123
Normalised operating income	**9,255**	9,731	8,912
Operating expenses as reported	**(5,083)**	(5,034)	(5,159)
Items normalised:			
Amortisation of intangible assets arising on business combinations	**21**	30	25
Normalised operating expenses	**(5,062)**	(5,004)	(5,134)
Other impairment as reported	**(185)**	(1,011)	(118)
Items normalised:			
Impairment of associates	**16**	-	-
Impairment of property	**-**	-	9
Impairment of goodwill	**-**	1,000	-
	16	1,000	9
Normalised other impairment	**(169)**	(11)	(109)
Taxation as reported	**(849)**	(1,089)	(775)
Tax on normalised items[2]	**9**	45	(14)
Normalised taxation	**(840)**	(1,044)	(789)
Profit as reported[1]	**2,310**	2,131	1,858
Items normalised as above:			
Operating income	**1**	(257)	123
Operating expenses	**21**	30	25
Other impairment	**16**	1,000	9
Taxation	**9**	45	(14)
	47	818	143
Normalised profit	**2,357**	2,949	2,001
Normalised basic earnings per ordinary share (cents)	**96.5**	121.9	82.4
Normalised diluted earnings per ordinary share (cents)	**95.9**	120.8	81.5

[1] The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 10)

[2] No tax is included in respect of the impairment of goodwill as no tax relief is available

12. Financial instruments

Classification

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

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

	Assets at fair value				Assets at amortised cost			
Assets	Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Loans and receivables $million	Held-to-maturity $million	Non-financial assets $million	Total $million
Cash and balances at central banks	-	-	-	-	62,182	-	-	62,182
Financial assets held at fair value through profit or loss								
Loans and advances to banks[1]	3,843	-	253	-	-	-	-	4,096
Loans and advances to customers[1]	4,695	-	1,157	-	-	-	-	5,852
Treasury bills and other eligible bills	3,307	-	-	-	-	-	-	3,307
Debt securities	19,282	-	-	-	-	-	-	19,282
Equity shares	3,134	-	826	-	-	-	-	3,960
	34,261	-	2,236	-	-	-	-	36,497
Derivative financial instruments	45,756	2,349	-	-	-	-	-	48,105
Loans and advances to banks[1]	-	-	-	-	87,324	-	-	87,324
Loans and advances to customers[1]	-	-	-	-	299,209	-	-	299,209
Investment securities								
Treasury bills and other eligible bills	-	-	-	22,928	-	30	-	22,958
Debt securities	-	-	-	72,792	2,556	66	-	75,414
Equity shares	-	-	-	2,535	-	-	-	2,535
	-	-	-	98,255	2,556	96	-	100,907
Other assets	-	-	-	-	29,886	-	7,198	37,084
Total at 30 June 2014	80,017	2,349	2,236	98,255	481,157	96	7,198	671,308
Cash and balances at central banks	-	-	-	-	57,621	-	-	57,621
Financial assets held at fair value through profit or loss								
Loans and advances to banks[1]	1,278	-	297	-	-	-	-	1,575
Loans and advances to customers[1]	6,257	-	183	-	-	-	-	6,440
Treasury bills and other eligible bills	3,380	-	-	-	-	-	-	3,380
Debt securities	13,516	-	368	-	-	-	-	13,884
Equity shares	2,316	-	540	-	-	-	-	2,856
	26,747	-	1,388	-	-	-	-	28,135
Derivative financial instruments	53,114	1,434	-	-	-	-	-	54,548
Loans and advances to banks[1]	-	-	-	-	73,305	-	-	73,305
Loans and advances to customers[1]	-	-	-	-	285,353	-	-	285,353
Investment securities								
Treasury bills and other eligible bills	-	-	-	22,370	-	-	-	22,370
Debt securities	-	-	-	65,793	3,946	-	-	69,739
Equity shares	-	-	-	2,703	-	-	-	2,703
	-	-	-	90,866	3,946	-	-	94,812
Other assets	-	-	-	-	32,446	-	5,595	38,041
Total at 30 June 2013	79,861	1,434	1,388	90,866	452,671	-	5,595	631,815

[1] Further analysed in Risk review on pages 25 to 80

12. Financial instruments continued

Classification continued

Assets	Assets at fair value: Trading $million	Assets at fair value: Derivatives held for hedging $million	Assets at fair value: Designated at fair value through profit or loss $million	Assets at fair value: Available-for-sale $million	Assets at amortised cost: Loans and receivables $million	Assets at amortised cost: Held-to-maturity $million	Non-financial assets $million	Total $million
Cash and balances at central banks	-	-	-	-	54,534	-	-	54,534
Financial assets held at fair value through profit or loss								
Loans and advances to banks[1]	2,221	-	246	-	-	-	-	2,467
Loans and advances to customers[1]	4,411	-	896	-	-	-	-	5,307
Treasury bills and other eligible bills	5,161	-	-	-	-	-	-	5,161
Debt securities	12,407	-	292	-	-	-	-	12,699
Equity shares	2,932	-	769	-	-	-	-	3,701
	27,132	-	2,203	-	-	-	-	29,335
Derivative financial instruments	59,765	2,037	-	-	-	-	-	61,802
Loans and advances to banks[1]	-	-	-	-	83,702	-	-	83,702
Loans and advances to customers[1]	-	-	-	-	290,708	-	-	290,708
Investment securities								
Treasury bills and other eligible bills	-	-	-	26,243	-	-	-	26,243
Debt securities	-	-	-	70,546	2,828	-	-	73,374
Equity shares	-	-	-	3,099	-	-	-	3,099
	-	-	-	99,888	2,828	-	-	102,716
Other assets	-	-	-	-	27,435	-	6,135	33,570
Total at 31 December 2013	86,897	2,037	2,203	99,888	459,207	-	6,135	656,367

[1] Further analysed in Risk review on pages 25 to 80

Liabilities	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss						
Deposits by banks	-	-	1,186	-	-	1,186
Customer accounts	-	-	9,914	-	-	9,914
Debt securities in issue	-	-	9,052	-	-	9,052
Short positions	6,764	-	-	-	-	6,764
	6,764	-	20,152	-	-	26,916
Derivative financial instruments	47,117	668	-	-	-	47,785
Deposits by banks	-	-	-	49,189	-	49,189
Customer accounts	-	-	-	380,609	-	380,609
Debt securities in issue	-	-	-	71,272	-	71,272
Other liabilities	-	-	-	32,387	1,619	34,006
Subordinated liabilities and other borrowed funds	-	-	-	24,691	-	24,691
Total at 30 June 2014	53,881	668	20,152	558,148	1,619	634,468

12. Financial instruments continued

Classification continued

Liabilities	Liabilities at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss						
Deposits by banks	-	-	378	-	-	378
Customer accounts	-	-	9,471	-	-	9,471
Debt securities in issue	-	-	6,834	-	-	6,834
Short positions	5,773	-	-	-	-	5,773
	5,773	-	16,683	-	-	22,456
Derivative financial instruments	52,757	1,024	-	-	-	53,781
Deposits by banks	-	-	-	45,012	-	45,012
Customer accounts	-	-	-	371,314	-	371,314
Debt securities in issue	-	-	-	58,690	-	58,690
Other liabilities	-	-	-	27,405	1,314	28,719
Subordinated liabilities and other borrowed funds	-	-	-	18,393	-	18,393
Total at 30 June 2013	58,530	1,024	16,683	520,814	1,314	598,365
Financial liabilities held at fair value through profit or loss						
Deposits by banks	-	-	1,009	-	-	1,009
Customer accounts	-	-	9,905	-	-	9,905
Debt securities in issue	-	-	6,823	-	-	6,823
Short positions	5,293	-	-	-	-	5,293
	5,293	-	17,737	-	-	23,030
Derivative financial instruments	60,322	914	-	-	-	61,236
Deposits by banks	-	-	-	43,517	-	43,517
Customer accounts	-	-	-	381,066	-	381,066
Debt securities in issue	-	-	-	64,589	-	64,589
Other liabilities	-	-	-	26,008	1,330	27,338
Subordinated liabilities and other borrowed funds	-	-	-	20,397	-	20,397
Total at 31 December 2013	65,615	914	17,737	535,577	1,330	621,173

Details on valuation and levelling, together with descriptions of the main types of financial instruments in each level are set out in the Group's 2013 Annual report. There have been no significant changes from that detailed in the Annual report.

For instruments classified as level 2 or level 3 fair value adjustments are also made to system valuations to arrive at fair value in accordance with the accounting requirements. In total, the Group has made $420 million (30 June 2013: $372 million, 31 December 2013: $421 million) of valuation adjustments in determining fair value for financial assets and financial liabilities.

Valuation adjustments	**30.06.14**	30.06.13	31.12.13
Bid-offer	**73**	81	69
Credit[1]	**165**	135	187
Model	**14**	16	15
Funding	**80**	63	84
Others (including Day 1)	**88**	77	66
Total	**420**	372	421

[1] Includes own debit valuation adjustments on derivatives

12. Financial instruments continued

Valuation hierarchy continued

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy as at 30 June 2014, 30 June 2013 and 31 December 2013.

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	253	3,843	-	4,096
Loans and advances to customers	-	5,002	850	5,852
Treasury bills and other eligible bills	3,116	191	-	3,307
Debt securities	9,886	9,210	186	19,282
Of which:				
Government bonds	9,570	1,659	-	11,229
Issued by corporates other than financial institutions	54	3,449	168	3,671
Issued by financial institutions	262	4,102	18	4,382
Equity shares	3,258	-	702	3,960
Derivative financial instruments	557	47,014	534	48,105
Of which:				
Foreign exchange	63	29,557	352	29,972
Interest rate	-	14,540	62	14,602
Commodity	493	2,171	-	2,664
Credit	-	557	11	568
Equity and stock index	1	189	109	299
Investment securities				
Treasury bills and other eligible bills	19,223	3,697	8	22,928
Debt securities	27,738	44,393	661	72,792
Of which:				
Government bonds	16,176	6,200	81	22,457
Issued by corporates other than financial institutions	8,751	8,740	482	17,973
Issued by financial institutions	2,811	29,453	98	32,362
Equity shares	1,576	15	944	2,535
Total at 30 June 2014	65,607	113,365	3,885	182,857

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	1,186	-	1,186
Customer accounts	-	9,911	3	9,914
Debt securities in issue	-	8,976	76	9,052
Short positions	6,192	572	-	6,764
Derivative financial instruments	641	46,784	360	47,785
Of which:				
Foreign exchange	70	29,816	301	30,187
Interest rate	-	14,159	18	14,177
Commodity	568	1,012	-	1,580
Credit	-	1,414	1	1,415
Equity and stock index	3	383	40	426
Total at 30 June 2014	6,833	67,429	439	74,701

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the period.

12. Financial instruments continued

Valuation hierarchy continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	297	1,278	-	1,575
Loans and advances to customers	136	5,804	500	6,440
Treasury bills and other eligible bills	3,225	155	-	3,380
Debt securities	6,928	6,799	157	13,884
Of which:				
Government bonds	6,720	1,434	3	8,157
Issued by corporates other than financial institutions	136	3,307	154	3,597
Issued by financial institutions	72	2,058	-	2,130
Equity shares	2,133	-	723	2,856
Derivative financial instruments	463	53,451	634	54,548
Of which:				
Foreign exchange	130	33,787	387	34,304
Interest rate	-	16,093	38	16,131
Commodity	331	2,502	-	2,833
Credit	-	872	13	885
Equity and stock index	2	197	196	395
Investment securities				
Treasury bills and other eligible bills	16,553	5,789	28	22,370
Debt securities	21,684	43,525	584	65,793
Of which:				
Government bonds	13,282	5,551	66	18,899
Issued by corporates other than financial institutions	5,075	8,157	476	13,708
Issued by financial institutions	3,327	29,817	42	33,186
Equity shares	1,239	9	1,455	2,703
Total at 30 June 2013	52,658	116,810	4,081	173,549

Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	378	-	378
Customer accounts	-	9,471	-	9,471
Debt securities in issue	-	6,579	255	6,834
Short positions	5,197	576	-	5,773
Derivative financial instruments	652	52,711	418	53,781
Of which:				
Foreign exchange	244	33,865	326	34,435
Interest rate	-	15,516	25	15,541
Commodity	405	1,690	-	2,095
Credit	-	1,178	14	1,192
Equity and stock index	3	462	53	518
Total at 30 June 2013	5,849	69,715	673	76,237

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the period.

12. Financial instruments continued

Valuation hierarchy continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	244	2,223	-	2,467
Loans and advances to customers	-	4,587	720	5,307
Treasury bills and other eligible bills	4,904	257	-	5,161
Debt securities	6,596	5,944	159	12,699
Of which:				
Government bonds	6,396	1,220	-	7,616
Issued by corporates other than financial institutions	79	3,211	159	3,449
Issued by financial institutions	121	1,513	-	1,634
Equity shares	2,797	-	904	3,701
Derivative financial instruments	323	60,881	598	61,802
Of which:				
Foreign exchange	56	41,942	366	42,364
Interest rate	-	16,013	53	16,066
Commodity	267	2,104	-	2,371
Credit	-	573	13	586
Equity and stock index	-	249	166	415
Investment securities				
Treasury bills and other eligible bills	22,701	3,523	19	26,243
Debt securities	24,445	45,493	608	70,546
Of which:				
Government bonds	14,513	5,451	64	20,028
Issued by corporates other than financial institutions	6,480	7,314	493	14,287
Issued by financial institutions	3,452	32,728	51	36,231
Equity shares	1,635	8	1,456	3,099
Total at 31 December 2013	63,645	122,916	4,464	191,025

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	1,009	-	1,009
Customer accounts	-	9,897	8	9,905
Debt securities in issue	7	6,777	39	6,823
Short positions	4,917	376	-	5,293
Derivative financial instruments	420	60,375	441	61,236
Of which:				
Foreign exchange	84	41,738	315	42,137
Interest rate	-	15,863	24	15,887
Commodity	336	1,500	-	1,836
Credit	-	874	-	874
Equity and stock index	-	400	102	502
Total at 31 December 2013	5,344	78,434	488	84,266

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the period.

12. Financial instruments continued

Level 3 movement tables - Financial assets

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Treasury Bills $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 January 2014	**720**	**159**	**904**	**598**	**19**	**608**	**1,456**	**4,464**
Total (losses)/gains recognised in income statement	**(44)**	**3**	**(22)**	**19**	**-**	**(37)**	**126**	**45**
Total gains/(losses) recognised in other comprehensive income	**-**	**-**	**-**	**-**	**-**	**2**	**(89)**	**(87)**
Purchases	**11**	**27**	**34**	**6**	**-**	**38**	**5**	**121**
Sales	**-**	**(4)**	**(65)**	**(1)**	**-**	**(26)**	**(558)**	**(654)**
Settlements	**(27)**	**(4)**	**-**	**(87)**	**(11)**	**(13)**	**-**	**(142)**
Transfers out	**(15)**	**-**	**(149)**	**(3)**	**-**	**(71)**	**-**	**(238)**
Transfers in	**205**	**5**	**-**	**2**	**-**	**160**	**4**	**376**
At 30 June 2014	**850**	**186**	**702**	**534**	**8**	**661**	**944**	**3,885**
Total (losses)/gains recognised in the income statement relating to assets held at 30 June 2014	**(33)**	**-**	**(6)**	**19**	**-**	**-**	**-**	**(20)**

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Treasury Bills $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 January 2013	910	176	1,125	486	58	396	1,958	5,109
Total gains/(losses) recognised in income statement	-	4	(14)	80	-	-	59	129
Total losses recognised in other comprehensive income	-	-	-	-	-	(34)	(134)	(168)
Purchases	-	1	64	68	15	232	3	383
Sales	-	(23)	(451)	(2)	-	(40)	(408)	(924)
Settlements	(83)	(2)	-	(34)	-	(87)	(4)	(210)
Transfers out	(327)	-	(1)	(1)	(45)	(19)	(19)	(412)
Transfers in	-	1	-	37	-	136	-	174
At 30 June 2013	500	157	723	634	28	584	1,455	4,081
Total (losses)/gains recognised in the income statement relating to assets held at 30 June 2013	-	-	(74)	114	-	-	-	40

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Treasury bills $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 July 2013	500	157	723	634	28	584	1,455	4,081
Total (losses)/gains recognised in income statement	(89)	59	31	(43)	-	(18)	(8)	(68)
Total gains recognised in other comprehensive income	-	-	-	-	-	11	88	99
Purchases	-	17	200	18	(15)	(226)	116	110
Sales	-	(7)	(51)	(9)	(36)	(19)	(38)	(160)
Settlements	(20)	(36)	-	(16)	(3)	(13)	4	(84)
Transfers out	327	(44)	1	-	45	(37)	(161)	131
Transfers in	2	13	-	14	-	326	-	355
At 31 December 2013	720	159	904	598	19	608	1,456	4,464
Total (losses)/gains recognised in the income statement relating to assets held at 31 December 2013	(86)	3	16	24	-	-	3	(40)

Transfers in during the period primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the period.

Transfers out during the period primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the period and were transferred to Level 1 and Level 2 financial assets.

12. Financial instruments continued

Level 3 movement tables – Financial liabilities

Liabilities	30.06.14 Customer accounts $million	30.06.14 Debt securities in issue $million	30.06.14 Derivative financial instruments $million	30.06.14 Total $million	30.06.13 Customer accounts $million	30.06.13 Debt securities in issue $million	30.06.13 Derivative financial instruments $million	30.06.13 Total $million
At 1 January	8	39	441	488	-	114	563	677
Total losses/(gains) recognised in income statement	-	1	(13)	(12)	-	(39)	(53)	(92)
Issues	-	21	4	25	-	320	6	326
Settlements	(5)	(16)	(72)	(93)	-	(134)	(86)	(220)
Transfers out	-	-	-	-	-	(12)	(33)	(45)
Transfers in	-	31	-	31	-	6	21	27
At 30 June	3	76	360	439	-	255	418	673
Total losses/(gains) recognised in the income statement relating to liabilities held at the end of the period	-	-	15	15	-	(16)	6	(10)

Liabilities	31.12.13 Customer accounts $million	31.12.13 Debt securities in issue $million	31.12.13 Derivative financial instruments $million	31.12.13 Total $million
At 1 July	-	255	418	673
Total (gains)/losses recognised in income statement	-	42	107	149
Issues	9	186	(5)	190
Settlements	(3)	(356)	(58)	(417)
Transfers out	-	(87)	-	(87)
Transfers in	2	(1)	(21)	(20)
At 31 December	8	39	441	488
Total losses recognised in the income statement relating to liabilities held at the end of the period	-	4	37	41

Transfers in during the period primarily relate to certain financial instruments for which parameters became unobservable during the period.

Transfers out during the period primarily relate to certain financial instruments where the valuation parameters became observable during the period and were transferred to Level 2 financial liabilities.

12. Financial instruments continued

The following tables present the Group's primary level 3 financial instruments which are held at the fair value. The table also present the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, the range of values for those inputs and the weighted average of those inputs:

	Value at 30 June 2014					
Instrument	Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to/from customers	**850**	**3**	Comparable pricing	Yield	4.1% to 19.9%	11.5%
Debt securities	**524**	**-**	Comparable pricing	Yield	5.6% to 44.4%	10.6%
			Internal pricing model	Equity correlation	-35.0% to 97.0%	N/A
Asset backed securities	**242**	**-**	Discounted cash flows	Yield	0.4% to 3.3%	1.2%
			Discounted cash flows	Discount Margin	15.5%	15.5%
Government bonds	**89**	**-**	Discounted cash flows	Yield	2.4% to 14.1%	4.7%
Debt securities in issue	**-**	**76**	Discounted cash flows	Credit correlation	80%	80%
			Internal pricing model	Equity correlation	-35.0% to 97.0%	N/A
Derivative financial instruments of which						
Foreign exchange	**352**	**301**	Option pricing model	Foreign exchange option implied volatility	0.7% to 8.5%	3.4%
Interest rate	**62**	**18**	Discounted cash flows	Interest rate curves	0.1% to 11.4%	8.7%
			Spread option model	Interest rate correlation	97.9% to 98.3%	98.1%
Credit	**11**	**1**	Discounted cash flows	Credit correlation	80%	80%
			Discounted cash flows	Credit spreads	0.4% to 2.0%	1.0%
			Option pricing model	Bond price volatility	24%	24%
Equity	**109**	**40**	Internal pricing model	Equity correlation	-35.0% to 97.0%	N/A
Equity shares	**1,646**	**-**	Comparable pricing	EV/EBITDA multiples	9.1x to 21.0x	9.3x
(includes private equity				P/B multiples	1.0x to 3.5x	2.2x
investments)				P/E multiples	14.3x to 19.0x	16.1x
				Liquidity discount	10.0% to 30.0%	14.7%
Total	**3,885**	**439**				

[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 30 June 2014. 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

12. Financial instruments continued

The following section describes the significant unobservable inputs identified in the valuation technique table.

Comparable pricing
Comparable pricing refers to the method where valuation is done by calculating an implied yield from the price of a similar comparable observable instrument. The comparable instrument for a private equity investment is a comparable listed company. The comparable instrument in case of bonds is a similar comparable but observable bond.

This may involve adjusting the yield to derive a value for the unobservable instrument.

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 and P/B multiples
Price Earnings multiple is the ratio of the Market Capitalisation to the Net Income after tax. Price to Book multiple is the ratio of the Market Capitalisation to the Book Value. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple or P/B multiple will result in a favourable movement in the fair value of the unlisted firm.

Yield
Yield is the interest rate that is used to discount the future cash-flows in a discounted cash-flow model.

Correlation
Correlation is the measure of how movement in one variable influences the movement in another variable. Credit correlation generally refers to the factor that describes the relationship between the probability of individual entities to default on obligations and the joint probability of multiple entities to default on obligations. Similarly, equity correlation is the correlation between two equity instruments. An interest rate correlation refers to the correlation between two swap rates. FX correlation represents the correlation between two different exchange rates.

Liquidity discount
A liquidity discount is primarily applied to unlisted firms to reflect the fact that these stocks are not actively traded. An increase in liquidity discount in isolation will result in unfavourable movement in the fair value of the unlisted firm.

Volatility
Volatility represents an estimate of how much a particular instrument, parameter or Index will change in value over time. Volatilities are generally implied from the observed option prices. For certain instruments, volatility may change with strike and maturity profile of the option.

Credit Spreads
Credit Spreads represent the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument.

12. Financial instruments continued

Sensitivities in respect of the fair values of level 3 assets and liabilities

Where the fair value of financial instruments are measured using valuation techniques that incorporate one or more significant inputs which are based on unobservable market data, we apply a 10 per cent increase or decrease on the values of these unobservable parameter inputs, to generate a range of reasonably possible alternative valuations in accordance with the requirements of IFRS 7. The percentage shift is determined by statistical analyses performed on a set of reference prices, which included certain equity indices, credit indices and volatility indices, 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.

	Held at fair value through profit or loss			Available-for-sale		
	Net exposure $million	Favourable Changes $million	Unfavourable Changes $million	Net exposure $million	Favourable Changes $million	Unfavourable Changes $million
Financial instruments held at fair value						
Debt securities	**186**	**189**	**183**	**661**	**697**	**624**
Equity shares	**702**	**772**	**630**	**944**	**1,038**	**851**
Loan and advances	**847**	**878**	**821**	**-**	**-**	**-**
Treasury Bills	**-**	**-**	**-**	**8**	**8**	**8**
Derivative financial instruments	**174**	**238**	**107**	**-**	**-**	**-**
Debt securities in issue	**(76)**	**(71)**	**(80)**	**-**	**-**	**-**
At 30 June 2014	**1,833**	**2,006**	**1,661**	**1,613**	**1,743**	**1,483**
Financial instruments held at fair value						
Debt securities	157	160	154	584	587	579
Equity shares	723	796	650	1,455	1,628	1,282
Loan and advances	500	511	489	-	-	-
Treasury Bills	-	-	-	28	28	28
Derivative financial instruments	216	276	164	-	-	-
Debt securities in issue	(255)	(255)	(255)	-	-	-
At 30 June 2013	1,341	1,488	1,202	2,067	2,243	1,889
Financial instruments held at fair value						
Debt securities	159	162	156	608	628	587
Equity shares	904	996	815	1,456	1,602	1,310
Loan and advances	712	734	683	-	-	-
Treasury Bills	-	-	-	19	19	19
Derivative financial instruments	157	269	111	-	-	-
Debt securities in issue	(39)	(39)	(39)	-	-	-
At 31 December 2013	1,893	2,122	1,726	2,083	2,249	1,916

12. Financial instruments continued

Valuation of financial instruments measured at amortised cost on a recurring basis

The valuation techniques used to establish the Group's fair values are consistent with those used to calculate the fair values of financial instruments carried at fair value. The fair values calculated are for disclosure purposes only and do not have any impact on the Group's reported financial performance or position. The fair values calculated by the Group may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument. As certain categories of financial instruments are not traded there is a significant level of management judgement involved in calculating the fair values.

Details of the basis used by the Group to establish fair values of amortised cost financial instruments and their valuation hierarchy can be found in the Group's 2013 Annual report. There have been no significant changes from that detailed in the Annual report.

The following table summarises 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. The fair values in the table below 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.

	30.06.14	
	Carrying value $million	Fair Value $million
Assets		
Cash and balances at central banks[1]	62,182	62,182
Loans and advances to banks	87,324	87,139
Loans and advances to customers	299,209	298,818
Investment securities	2,652	2,689
Other assets[1]	29,886	26,129
	481,253	476,957
Liabilities		
Deposits by banks	49,189	49,045
Customer accounts	380,609	380,740
Debt securities in issue	71,272	71,993
Subordinated liabilities and other borrowed funds	24,691	25,183
Other liabilities[1]	24,162	22,994
	549,923	549,955

[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

	30.06.13		31.12.13	
	Carrying value $million	Fair value $million	Carrying value $million	Fair value $million
Assets				
Cash and balances at central banks[1]	57,621	57,621	54,534	54,534
Loans and advances to banks	73,305	73,201	83,702	83,585
Loans and advances to customers	285,353	284,803	290,708	290,476
Investment securities	3,946	3,625	2,828	2,885
Other assets[1]	30,123	30,123	26,351	26,350
	450,348	449,373	458,123	457,830
Liabilities				
Deposits by banks	45,012	45,011	43,517	43,518
Customer accounts	371,314	370,709	381,066	381,292
Debt securities in issue	58,690	58,820	64,589	64,688
Subordinated liabilities and other borrowed funds	18,393	18,116	20,397	20,499
Other liabilities[1]	23,526	23,526	21,894	21,901
	516,935	516,182	531,463	531,898

[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

12. 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:

			If assets had not been reclassified, fair value gains from 1 January 2014 to 30 June 2014 that would have been recognised within				
	Carrying amount at 30 June 2014	Fair value at 30 June 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:	$million	$million	$million	$million	$million	%	$million
From trading to AFS	50	50	3[1]	-	-	7.7	135
From trading to loans and receivables	130	130	6	-	4	6.3	149
From AFS to loans and receivables	307	331	-	7	13	5.5	401
	487	511	9	7	17		
Of which asset backed securities:							
reclassified to AFS	50	50	3[1]	-	-		
reclassified to loans and receivables	409	436	6	7	14		

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

			If assets had not been reclassified, fair value gains from 1 January 2013 to 30 June 2013 that would have been recognised within				
	Carrying amount at 30 June 2013	Fair value at 30 June 2013	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	98	98	24[1]	-	2	6.2	187
From trading to loans and receivables	273	240	22	-	4	6.2	297
From AFS to loans and receivables	558	592	-	19	11	5.4	714
	929	930	46	19	17		
Of which asset backed securities:							
reclassified to AFS	82	82	11[1]	-	2		
reclassified to loans and receivables	796	817	9	19	14		

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

			If assets had not been reclassified, fair value gains from 1 July 2013 to 31 December 2013 that would have been recognised within				
	Carrying amount at 31 December 2013	Fair value at 31 December 2013	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	46	46	5[1]	-	6	8.8	123
From trading to loans and receivables	183	179	20	-	12	6.2	214
From AFS to loans and receivables	486	520	-	12	21	5.5	626
	715	745	25	12	39		
Of which asset backed securities:							
reclassified to AFS	46	46	7[1]	-	6		
reclassified to loans and receivables	614	647	-	33	33		

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

12. Financial instruments continued

Transfers of financial assets

Transfers where financial assets are not derecognised

Repurchase transactions

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:

Collateral pledged against repurchase agreements	Fair value through profit and loss $million	Available for sale $million	Loans and receivables $million	Total $million
On balance sheet				
Treasury bills and other eligible bills	**489**	**199**	**-**	**688**
Debt securities	**1,779**	**3,129**	**89**	**4,997**
Loan and advances to banks and customers	**-**	**-**	**3,934**	**3,934**
Off balance sheet				
Repledged collateral received	**362**	**-**	**652**	**1,014**
At 30 June 2014	**2,630**	**3,328**	**4,675**	**10,633**

Balance sheet liabilities - Repurchase agreements	
Deposits by banks	**7,828**
Customer accounts	**1,454**
At 30 June 2014	**9,282**

Collateral pledged against repurchase agreements	Fair value through profit and loss $million	Available for sale $million	Loans and receivables $million	Total $million
On balance sheet				
Treasury bills and other eligible bills	18	815	-	833
Debt securities	215	2,200	-	2,415
Loan and advances to banks and customers	-	-	1,665	1,665
Off balance sheet				
Repledged collateral received	291	-	870	1,161
At 30 June 2013	524	3,015	2,535	6,074

Balance sheet liabilities - Repurchase agreements	
Deposits by banks	2,989
Customer accounts	1,407
At 30 June 2013	4,396

Collateral pledged against repurchase agreements	Fair value through profit and loss $million	Available for sale $million	Loans and receivables $million	Total $million
On balance sheet				
Treasury bills and other eligible bills	391	256	-	647
Debt securities	1,706	1,163	-	2,869
Loan and advances to banks and customers	-	-	2,714	2,714
Off balance sheet				
Repledged collateral received	257	-	1,547	1,804
At 31 December 2013	2,354	1,419	4,261	8,034

Balance sheet liabilities - Repurchase agreements	
Deposits by banks	4,330
Customer accounts	1,732
At 31 December 2013	6,062

12. Financial instruments continued

Repurchase and 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 at 30 June 2014, 30 June 2013 and 31 December 2013 are set out in the table below:

Balance sheet assets - Reverse repurchase agreements

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Loans and advances to banks	15,288	6,139	12,887
Loans and advances to customers	5,617	3,637	4,538
	20,905	9,776	17,425

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:

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Securities and collateral received (at fair value)	21,530	9,832	17,835
Securities and collateral which can be repledged or sold (at fair value)	17,029	8,710	15,906
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)	1,014	1,161	1,804

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 30 June 2014, 30 June 2013 and 31 December 2013 respectively.

	30.06.14		30.06.13		31.12.13	
	Carrying value $million	Fair value $million	Carrying value $million	Fair value $million	Carrying value $million	Fair value $million
Loans and advances to customers	696	694	1,034	1,032	779	778
Securitisation liability	378	378	833	833	502	502
Net	318	316	201	199	277	276

The Group did not undertake any transactions that required the recognition of an asset representing continuing involvement in financial assets.

12. Financial instruments continued

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

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 obtain (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

	30.06.14					
				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	54,373	(6,268)	48,105	(34,437)	(3,961)	9,707
Reverse repurchase agreements	20,905	-	20,905	-	(20,905)	-
At 30 June 2014	75,278	(6,268)	69,010	(34,437)	(24,866)	9,707
Liabilities						
Derivative financial instruments	54,053	(6,268)	47,785	(34,437)	(6,205)	7,143
Sale and repurchase liabilities	9,282	-	9,282	-	(9,282)	-
At 30 June 2014	63,335	(6,268)	57,067	(34,437)	(15,487)	7,143

	30.06.13					
				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	59,650	(5,102)	54,548	(37,379)	(3,241)	13,928
Reverse repurchase agreements	9,776	-	9,776	-	(9,776)	-
At 30 June 2013	69,426	(5,102)	64,324	(37,379)	(13,017)	13,928
Liabilities						
Derivative financial instruments	58,883	(5,102)	53,781	(37,379)	(7,563)	8,839
Sale and repurchase liabilities	4,396	-	4,396	-	(4,396)	-
At 30 June 2013	63,279	(5,102)	58,177	(37,379)	(11,959)	8,839

12. Financial instruments continued

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

Amounts not offset in the balance sheet continued

	31.12.13					
				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	67,369	(5,567)	61,802	(46,242)	(5,147)	10,413
Reverse repurchase agreements	17,425	-	17,425	-	(17,425)	-
At 31 December 2013	84,794	(5,567)	79,227	(46,242)	(22,572)	10,413
Liabilities						
Derivative financial instruments	66,803	(5,567)	61,236	(46,242)	(9,240)	5,754
Sale and repurchase liabilities	6,062	-	6,062	-	(6,062)	-
At 31 December 2013	72,865	(5,567)	67,298	(46,242)	(15,302)	5,754

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

Loans and advances held at fair value through profit or loss

The maximum exposure to credit risk for loans designated at fair value through profit or loss was $1,410 million (30 June 2013: $480 million and 31 December 2013: $1,142 million).

The net fair value loss on loans and advances to customers designated at fair value through profit or loss was $(130.6) million (30 June 2013: $2.1 million, 31 December 2013: $(3.3) million). Of this, $nil million (30 June 2013: $nil million, 31 December 2013: $nil million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was $3.4 million (30 June 2013: $3.4 million, 31 December 2013: $3.4 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

	30.06.14			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	11,339			
Other public sector securities	41			
	11,380			
Issued by banks:				
Certificates of deposit	2,693			
Other debt securities	1,017			
	3,710			
Issued by corporate entities and other issuers:				
Other debt securities	4,192			
Total debt securities	19,282			
Of which:				
Listed on a recognised UK exchange	175	-	-	175
Listed elsewhere	10,262	3,013	1,646	14,921
Unlisted	8,845	947	1,661	11,453
	19,282	3,960	3,307	26,549
Market value of listed securities	10,437	3,013	1,646	15,096

	30.06.13			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	8,455			
Other public sector securities	80			
	8,535			
Issued by banks:				
Certificates of deposit	164			
Other debt securities	547			
	711			
Issued by corporate entities and other issuers:				
Other debt securities	4,638			
Total debt securities	13,884			
Of which:				
Listed on a recognised UK exchange	320	23	-	343
Listed elsewhere	8,871	2,110	1,474	12,455
Unlisted	4,693	723	1,906	7,322
	13,884	2,856	3,380	20,120
Market value of listed securities	9,191	2,133	1,474	12,798

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

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

	31.12.13			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	7,763			
Other public sector securities	76			
	7,839			
Issued by banks:				
Certificates of deposit	292			
Other debt securities	457			
	749			
Issued by corporate entities and other issuers:				
Other debt securities	4,111			
Total debt securities	12,699			
Of which:				
Listed on a recognised UK exchange	144	21	-	165
Listed elsewhere	8,017	2,741	1,646	12,404
Unlisted	4,538	939	3,515	8,992
	12,699	3,701	5,161	21,561
Market value of listed securities	8,161	2,762	1,646	12,569

Financial liabilities held at fair value through profit or loss

The net fair value gain on liabilities designated at fair value through profit or loss was $397 million for the period (30 June 2013: gain of $400 million, 31 December 2013: loss of $122 million). Of this, $32 million (30 June 2013: ($237) million, 31 December 2013: $131 million relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was a loss of $63.6 million (30 June 2013: ($226.6) million, 31 December 2013: ($95.6) 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.

14. Derivative financial instruments

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

	30.06.14			30.06.13		
Total derivatives	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**1,550,176**	**11,429**	**12,554**	1,358,712	17,260	17,543
Currency swaps and options	**1,186,857**	**18,543**	**17,633**	1,067,827	17,044	16,892
Exchange traded futures and options	**90**	**-**	**-**	8,747	-	-
	2,737,123	**29,972**	**30,187**	2,435,286	34,304	34,435
Interest rate derivative contracts:						
Swaps	**2,155,533**	**13,833**	**13,580**	1,438,134	15,176	14,840
Forward rate agreements and options	**190,101**	**769**	**597**	85,468	955	701
Exchange traded futures and options	**1,026,331**	**-**	**-**	1,046,902	-	-
	3,371,965	**14,602**	**14,177**	2,570,504	16,131	15,541
Credit derivative contracts	**39,413**	**568**	**1,415**	57,696	885	1,192
Equity and stock index options	**16,173**	**299**	**426**	16,753	395	518
Commodity derivative contracts	**204,630**	**2,664**	**1,580**	163,113	2,833	2,095
Total derivatives	**6,369,304**	**48,105**	**47,785**	5,243,352	54,548	53,781

	31.12.13		
Total derivatives	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:			
Forward foreign exchange contracts	1,303,103	17,213	17,490
Currency swaps and options	1,086,784	25,151	24,647
Exchange traded futures and options	340	-	-
	2,390,227	42,364	42,137
Interest rate derivative contracts:			
Swaps	1,974,451	15,295	15,241
Forward rate agreements and options	236,646	771	646
Exchange traded futures and options	694,212	-	-
	2,905,309	16,066	15,887
Credit derivative contracts	40,981	586	874
Equity and stock index options	15,684	415	502
Commodity derivative contracts	162,858	2,371	1,836
Total derivatives	5,515,059	61,802	61,236

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net. Details of the amounts available for offset can be found in the Risk review on page 35.

The Derivatives and Hedging sections of the Risk review on page 68 explain the Group's risk management of derivative contracts and application of hedging.

14. Derivative financial instruments continued

Derivatives held for hedging

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

	30.06.14			30.06.13		
	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	47,431	842	426	35,639	857	498
Forward foreign exchange contracts	218	5	4	369	-	6
Currency swaps	24,216	1,408	134	18,436	482	409
	71,865	2,255	564	54,444	1,339	913
Derivatives designated as cash flow hedges:						
Interest rate swaps	15,067	20	15	16,504	21	25
Forward foreign exchange contracts	2,617	58	14	3,636	1	78
Currency swaps	6,658	16	12	7,106	16	8
	24,342	94	41	27,246	38	111
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	1,048	-	63	1,042	57	-
Total derivatives held for hedging	97,255	2,349	668	82,732	1,434	1,024

	31.12.13		
	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:			
Interest rate swaps	41,598	756	589
Forward foreign exchange contracts	199	7	-
Currency swaps	22,026	1,190	169
	63,823	1,953	758
Derivatives designated as cash flow hedges:			
Interest rate swaps	20,564	22	19
Forward foreign exchange contracts	2,150	42	38
Currency swaps	7,169	20	15
	29,883	84	72
Derivatives designated as net investment hedges:			
Forward foreign exchange contracts	981	-	84
Total derivatives held for hedging	94,687	2,037	914

15. Loans and advances to banks

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Loans and advances to banks	**91,526**	74,982	86,271
Individual impairment provision	**(104)**	(100)	(100)
Portfolio impairment provision	**(2)**	(2)	(2)
	91,420	74,880	86,169
Of which: loans and advances held at fair value through profit or loss (note 12)	**(4,096)**	(1,575)	(2,467)
	87,324	73,305	83,702

Analysis of loans and advances to banks by geography as set out in the Risk review on page 39.

16. Loans and advances to customers

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Loans and advances to customers	**308,814**	294,963	299,460
Individual impairment provision	**(3,021)**	(2,433)	(2,749)
Portfolio impairment provision	**(732)**	(737)	(696)
	305,061	291,793	296,015
Of which: loans and advances held at fair value through profit or loss (note 12)	**(5,852)**	(6,440)	(5,307)
	299,209	285,353	290,708

The Group has outstanding residential mortgages and loans to Korea residents of $12.2 billion (30 June 2013: $13.9 billion, 31 December 2013: $12.8 billion) and Hong Kong residents of $24.7 billion (30 June 2013: $22.9 billion, 31 December 2013: $23.4 billion).

Analysis of loans and advances to customers by geography and client segments and related impairment provisions as set out within the Risk review on pages 39 to 53.

17. Investment securities

	30.06.14					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	24	27,949	-			
Other public sector securities	-	974	-			
	24	28,923	-			
Issued by banks:						
Certificates of deposit	-	7,662	-			
Other debt securities	-	21,846	16			
	-	29,508	16			
Issued by corporate entities and other issuers:						
Other debt securities	42	14,361	2,540			
Total debt securities	66	72,792	2,556			
Of which:						
Listed on a recognised UK exchange	-	5,841	100[1]	70	-	6,011
Listed elsewhere	-	28,148	311[1]	1,512	10,081	40,052
Unlisted	66	38,803	2,145	953	12,877	54,844
	66	72,792	2,556	2,535	22,958	100,907
Market value of listed securities	-	33,989	411	1,582	10,081	46,063

[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

17. Investment securities continued

	30.06.13					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	-	24,300	-			
Other public sector securities	-	543	-			
	-	24,843	-			
Issued by banks:						
Certificates of deposit	-	5,510	-			
Other debt securities	-	23,193	50			
	-	28,703	50			
Issued by corporate entities and other issuers :						
Other debt securities	-	12,247	3,896			
Total debt securities	-	65,793	3,946			
Of which:						
Listed on a recognised UK exchange	-	4,978	181[1]	67	-	5,226
Listed elsewhere	-	24,556	385[1]	1,164	9,786	35,891
Unlisted	-	36,259	3,380	1,472	12,584	53,695
	-	65,793	3,946	2,703	22,370	94,812
Market value of listed securities	-	29,534	580	1,231	9,786	41,131

[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

	31.12.13					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	-	26,111	-			
Other public sector securities	-	928	-			
	-	27,039	-			
Issued by banks:						
Certificates of deposit	-	6,476	-			
Other debt securities	-	24,897	49			
	-	31,373	49			
Issued by corporate entities and other issuers:						
Other debt securities	-	12,134	2,779			
Total debt securities	-	70,546	2,828			
Of which:						
Listed on a recognised UK exchange	-	5,563	113[1]	65	-	5,741
Listed elsewhere	-	26,091	619[1]	1,545	10,480	38,735
Unlisted	-	38,892	2,096	1,489	15,763	58,240
	-	70,546	2,828	3,099	26,243	102,716
Market value of listed securities	-	31,654	732	1,610	10,480	44,476

[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

17. Investment securities continued

The change in the carrying amount of investment securities comprised:

	30.06.14				30.06.13			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
Balances held at 1 January	**73,374**	**3,099**	**26,243**	**102,716**	69,207	3,278	26,740	99,225
Exchange translation differences	**298**	**8**	**289**	**595**	(1,554)	(16)	(859)	(2,429)
Additions	**64,897**	**77**	**28,547**	**93,521**	52,917	82	19,840	72,839
Maturities and disposals	**(63,465)**	**(703)**	**(32,282)**	**(96,450)**	(50,832)	(498)	(23,498)	(74,828)
Impairment, net of recoveries on disposal	**(52)**	**(4)**	**-**	**(56)**	(5)	(10)	1	(14)
Changes in fair value (including the effect of fair value hedging)	**315**	**58**	**19**	**392**	18	(133)	(6)	(121)
Amortisation of discounts and premiums	**47**	**-**	**142**	**189**	(12)	-	152	140
Balances held at 30 June	**75,414**	**2,535**	**22,958**	**100,907**	69,739	2,703	22,370	94,812

	31.12.13			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
Balances held at 1 July	69,739	2,703	22,370	94,812
Exchange translation differences	(280)	7	293	20
Additions	40,219	133	29,697	70,049
Maturities and disposals	(36,122)	(35)	(26,178)	(62,335)
Impairment, net of recoveries on disposal	(54)	(51)	(1)	(106)
Changes in fair value (including the effect of fair value hedging)	(109)	342	(23)	210
Amortisation of discounts and premiums	(19)	-	85	66
Balances held at 31 December	73,374	3,099	26,243	102,716

The analysis of unamortised premiums and unamortised discounts on debt securities and income on equity shares held for investment purposes is provided below:

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Debt securities:			
Unamortised premiums	**507**	589	605
Unamortised discounts	**278**	229	425
Income from listed equity shares	**51**	47	20
Income from unlisted equity shares	**13**	17	20

18. Other assets

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Financial assets held at amortised cost (note 12)			
Hong Kong SAR Government certificates of indebtedness (note 22)[1]	**4,652**	4,341	4,460
Cash collateral	**6,205**	7,563	9,240
Acceptances and endorsements	**5,326**	5,320	5,501
Unsettled trades and other financial assets	**13,703**	15,222	8,234
	29,886	32,446	27,435
Non-financial assets			
Commodities	**5,046**	4,516	3,965
Assets held for sale[2]	**1,477**	16	1,623
Other assets	**675**	1,063	547
Total other assets	**37,084**	38,041	33,570

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

2 Includes assets held for sale of $1,414 million (December 2013: $1,563 million) in respect of the Group's realignment of the business in Korea. The disposal group consists of Standard Chartered Capital (Korea) Company Limited and Standard Chartered Savings Bank Korea Company Limited. The Group announced its intention to dispose these businesses on 14 June 2014 and expects to conclude the transaction before the end of 2014.

19. Business Combinations

2014 acquisitions
There have been no acquisitions during the period.

2013 acquisitions
On 2 December 2013 the Group completed the acquisition of the South African custody and trustee business of Absa Bank for a consideration of $36 million recognising goodwill of $16 million. The net assets acquired primarily comprised customer relationships that have been recognised as intangible assets of the Group. Goodwill arising on the acquisition is attributable to the synergies expected to arise from their integration with the Group. The primary reason for this acquisition was to enhance capability.

20. Goodwill and intangible assets

	30.06.14				30.06.13			
	Goodwill	Acquired intangibles	Software	Total	Goodwill	Acquired intangibles	Software	Total
	$million	$million	$million	$million	$million	$million	$million	$million
Cost at 30 June	5,269	685	1,236	7,190	6,169	650	976	7,795
Provision for amortisation	-	(559)	(431)	(990)	-	(499)	(353)	(852)
Impairment charge	-	-	-	-	(1,000)	-	-	(1,000)
Net book value at 30 June	5,269	126	805	6,200	5,169	151	623	5,943

	31.12.13			
	Goodwill	Acquired intangibles	Software	Total
	$million	$million	$million	$million
Cost at 31 December	5,207	678	1,103	6,988
Provision for amortisation	-	(530)	(388)	(918)
Net book value at 31 December	5,207	148	715	6,070

The Group performs an annual goodwill impairment review in September each year, and at each reporting date, assesses whether there is any objective evidence of impairment. For the purposes of impairment testing, goodwill is allocated at the date of acquisition to a cash-generating unit (CGU). Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amounts for all CGUs were measured based on value-in-use. The key assumptions used in determining the recoverable amounts are set out in note 26 of the Group’s 2013 Annual Report and Accounts.

At 30 June 2014, we assessed whether there was an objective evidence of impairment of goodwill, and this assessment did not indicate any goodwill impairment.

It continues to be possible that certain scenarios (to which Korea is more sensitive than other CGUs) could be construed where a combination of a material change 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 the goodwill exceeding the recoverable amount in the future.

21. Debt securities in issue

	30.06.14			30.06.13		
	Certificates of deposit of $100,000 or more	Other debt securities in issue	Total	Certificates of deposit of $100,000 or more	Other debt securities in issue	Total
	$million	$million	$million	$million	$million	$million
Debt securities in issue	25,984	45,288	71,272	22,097	36,593	58,690
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 12)	138	8,914	9,052	156	6,678	6,834
Total debt securities in issue	26,122	54,202	80,324	22,253	43,271	65,524

	31.12.13		
	Certificates of deposit of $100,000 or more	Other debt securities in issue	Total
	$million	$million	$million
Debt securities in issue	21,082	43,507	64,589
Debt securities in issue included within:			
Financial liabilities held at fair value through profit or loss (note 12)	141	6,682	6,823
Total debt securities in issue	21,223	50,189	71,412

22. Other liabilities

	30.06.14	30.06.13	31.12.13
	$million	$million	$million
Financial liabilities held at amortised cost (note 12)			
Notes in circulation[1]	4,652	4,341	4,460
Acceptances and endorsements	5,356	5,269	5,501
Cash collateral	3,961	3,241	5,147
Unsettled trades and other financial liabilities	18,418	14,554	10,900
	32,387	27,405	26,008
Non-financial liabilities			
Cash-settled share based payments	60	74	73
Liabilities held for sale[2]	298	-	344
Other liabilities	1,261	1,240	913
Total other liabilities	34,006	28,719	27,338

[1] Hong Kong currency notes in circulation of $4,652 million (30 June 2013: $4,341 million, 31 December 2013: $4,460 million) which are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 18)

[2] Liabilities held for sale of $298 million (December 2013: $344 million) is in respect of the Group's realignment of the business in Korea, the disposal group consists of Standard Chartered Capital (Korea) Company Limited and Standard Chartered Savings Bank Korea Company Limited. The assets are disclosed in note 18

23. Subordinated liabilities and other borrowed funds

	30.06.14				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	**11,944**	**5,515**	**4,543**	**2,360**	**24,362**
Floating rate subordinated debt	**238**	**52**	**-**	**39**	**329**
Total	**12,182**	**5,567**	**4,543**	**2,399**	**24,691**

	30.06.13				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	9,766	3,709	2,577	2,018	18,070
Floating rate subordinated debt	238	46	-	39	323
Total	10,004	3,755	2,577	2,057	18,393

	31.12.13				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	9,663	3,922	4,426	2,060	20,071
Floating rate subordinated debt	238	50	-	38	326
Total	9,901	3,972	4,426	2,098	20,397

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.

Issuances
On 23 January 2014, Standard Chartered PLC (the Company) issued SGD700 million 4.4 per cent fixed interest rate notes due January 2026.

On 26 March 2014, the Company issued $2 billion 5.7 per cent fixed interest rate notes due March 2044.

On 6 June 2014, the Company issued £900 million 5.125 per cent fixed interest rate notes due June 2034.

Redemptions
On 13 March 2014, Standard Chartered Bank Korea Limited exercised its right to redeem its KRW300 billion 7.05 per cent subordinated debt in full on the first optional call date.

24. Retirement benefit obligations

Retirement benefit obligations comprise:

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Total market value of assets	**2,671**	2,302	2,585
Present value of the schemes' liabilities	**(3,119)**	(2,696)	(2,926)
Defined benefit schemes obligation	**(448)**	(394)	(341)
Defined contribution schemes obligation	**(24)**	(17)	(24)
Net obligation	**(472)**	(411)	(365)

Retirement benefit charge comprises:

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Defined benefit schemes	**56**	58	61
Defined contribution schemes	**114**	110	107
Charge against profit (note 5)	**170**	168	168

The pension cost for defined benefit schemes was:

	6 months ended 30.06.14 $million	6 months ended 30.06.13 $million	6 months ended 31.12.13 $million
Current service cost and administrative expenses	**49**	50	50
Past service cost and curtailments	**-**	-	4
Interest income on pension scheme assets	**(53)**	(46)	(47)
Interest on pension scheme liabilities	**60**	54	54
Total charge to profit before deduction of tax	**56**	58	61
Return on plan assets excluding interest income	**(22)**	(11)	(58)
Loss/(gain) on liabilities	**92**	(33)	23
Total loss/(gain) recognised directly in statement of comprehensive income before tax	**70**	(44)	(35)
Deferred taxation	**(14)**	6	15
Total loss/(gains) after tax	**56**	(38)	(20)

25. Share capital, reserves and own shares

	Number of ordinary shares millions	Ordinary share capital $million	Preference share capital $million	Total $million
At 1 January 2013	2,413	1,207	-	1,207
Capitalised on scrip dividend	2	1	-	1
Shares issued	9	4	-	4
At 30 June 2013	2,424	1,212	-	1,212
Capitalised on scrip dividend	2	1	-	1
Shares issued	1	1	-	1
At 31 December 2013	**2,427**	**1,214**	**-**	**1,214**
Capitalised on scrip dividend	**36**	**18**	**-**	**18**
Shares issued	**7**	**3**	**-**	**3**
At 30 June 2014	**2,470**	**1,235**	**-**	**1,235**

2014

On 14 May 2014, the Company issued 36,260,040 new ordinary shares instead of the 2013 final dividend.

During the period 6,480,832 shares were issued under employee share plans at prices between nil and 1,463 pence.

2013

On 13 May 2013, the Company issued 1,727,682 new ordinary shares instead of the 2012 final dividend and on 17 October 2013 the Company issued 2,081,685 new ordinary shares instead of the 2013 interim dividend.

During the year 10,542,375 new ordinary shares were issued under employee share plans at prices between nil and 1,463 pence.

25. Share Capital, reserves and own shares continued

Own shares

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

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

Number of shares	1995 Trust 30.06.14	1995 Trust 30.06.13	1995 Trust 31.12.13	2004 Trust 30.06.14	2004 Trust 30.06.13	2004 Trust 31.12.13	Total 30.06.14	Total 30.06.13	Total 31.12.13
Shares purchased during period	**4,090,094**	4,855,145	-	**1,050,401**	790,829	-	**5,140,495**	5,645,974	-
Market value of shares purchased ($ million)	**84**	133	-	**21**	21	-	**105**	154	-
Shares held at end of period	**5,392,574**	5,866,347	5,575,821	**5,807**	141,160	141,160	**5,398,381**	6,007,507	5,716,981
Maximum number of shares held during period							**8,591,232**	7,278,439	6,007,507

26. Non-controlling interests

	$300m 7.267% Hybrid Tier 1 securities $million	Other non-controlling interests $million	Total $million
At 1 January 2013	320	373	693
Expenses in equity attributable to non-controlling interests	-	(16)	(16)
Other profits attributable to non-controlling interests	11	44	55
Comprehensive income for the period	11	28	39
Distributions	(11)	(27)	(38)
Other decreases	-	(104)	(104)
At 30 June 2013	320	270	590
Income in equity attributable to non-controlling interests	-	(15)	(15)
Other profits attributable to non-controlling interests	11	44	55
Comprehensive income for the period	11	29	40
Distributions	(11)	(28)	(39)
Other increases	-	4	4
At 31 December 2013	**320**	**275**	**595**
Expense in equity attributable to non-controlling interests	**-**	**(15)**	**(15)**
Other profits attributable to non-controlling interests	**4**	**40**	**44**
Comprehensive income for the period	**4**	**25**	**29**
Distributions	**(11)**	**(36)**	**(47)**
Other (decreases)/increase	**(313)**	**21**	**(292)**
At 30 June 2014	**-**	**285**	**285**

The $300 million 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

27. Cash flow statement

Adjustment for non-cash items and other adjustments included within the income statement

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Amortisation of discounts and premiums of investment securities	**(189)**	(140)	(66)
Interest expense on subordinated liabilities	**384**	330	325
Interest expense on senior debt liabilities	**231**	217	275
Other non-cash items (including own credit adjustment)	**(8)**	(161)	334
Pension costs for defined benefit schemes	**56**	58	61
Share based payment costs	**143**	108	156
UK bank levy	**-**	-	55
Impairment losses on loans and advances and other credit risk provisions	**846**	730	887
Other impairment	**185**	1,011	118
Loss on business classified as held for sale	**5**	-	49
Profit from associates and joint ventures	**(113)**	(112)	(114)
	1,540	2,041	2,080

Change in operating assets

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Decrease/(increase) in derivative financial instruments	**14,048**	(5,858)	(7,207)
(Increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	**(3,376)**	547	4,673
Net increase in loans and advances to banks and customers	**(6,491)**	(19,520)	(10,398)
(Increase)/decrease in prepayments and accrued income	**(287)**	(188)	180
(Increase)/decrease in other assets	**(4,918)**	(10,751)	4,378
	(1,024)	(35,770)	(8,374)

Change in operating liabilities

	30.06.14 $million	30.06.13 $million	31.12.13 $million
(Decrease)/increase in derivative financial instruments	**(13,821)**	7,430	7,374
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	**14,529**	16,243	12,753
Increase/(decrease) in accruals and deferred income	**452**	(504)	465
Increase/(decrease) in other liabilities	**6,675**	3,773	(2,282)
	7,835	26,942	18,310

28. 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. 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. Restricted balances comprise minimum balances required to be held at central banks.

	30.06.14 $million	30.06.13 $million	31.12.13 $million
Cash and balances at central banks	**62,182**	57,621	54,534
Less restricted balances	**(10,557)**	(9,663)	(9,946)
Treasury bills and other eligible bills	**7,191**	1,331	6,561
Loans and advances to banks	**35,906**	24,551	29,509
Trading securities	**4,119**	2,651	3,498
	98,841	76,491	84,156

29. Restatement of prior periods

In January 2014 the Group announced a change to its organisation structure effective 1 April 2014. In accordance with IFRS 8 *Segmental reporting*, the presentation of the Group's interim results have been updated to reflect the Group's new client segments – Corporate and Institutional, Commercial, Private Banking and Retail.

On 29 May 2014, the Group announced the restated segmental information for Half Year and Full Year 2013 under the new client segments and global product groups and the new geographic regions. The table below shows the changes in these accounts to the restatements announced for the new client segments to enhance the comparability of information presented.

While these restatements affect the reported results of the divisions that comprise the Group's business, it has no impact on the Group's overall income statement, balance sheet or reported metrics.

	30.06.13						
	Corporate and Institutional	Commercial	Private Banking	Retail	Total reportable Segments	Corporate items not allocated	Total
	$million	$million	$million	$million	$million	$million	$million
Loans to customers - as announced	157,398	18,396	14,754	101,245	291,793	-	291,793
Loans to customers - as restated	158,461	17,338	14,681	101,313	291,793	-	291,793
Restatement	1,063	(1,058)	(73)	68	-	-	-
Total assets employed - as announced	441,203	33,760	20,464	147,496	642,923	7,034	649,957
Total assets employed - as restated	441,257	33,834	20,464	147,525	643,080	6,877	649,957
Restatement	54	74	-	29	157	(157)	-

	31.12.13						
	Corporate and Institutional	Commercial	Private Banking	Retail	Total reportable Segments	Corporate items not allocated	Total
	$million	$million	$million	$million	$million	$million	$million
Loans to customers - as announced	159,894	19,025	17,208	99,888	296,015	-	296,015
Loans to customers - as restated	160,906	17,802	17,159	100,148	296,015	-	296,015
Restatement	1,012	(1,223)	(49)	260	-	-	-

30. 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.

	30.06.14	30.06.13	31.12.13
	$million	$million	$million
Contingent liabilities			
Guarantees and irrevocable letters of credit	**36,409**	38,061	36,936
Other contingent liabilities	**8,973**	9,533	10,002
	45,382	47,594	46,938
Commitments			
Documentary credits and short term trade-related transactions	**8,160**	8,171	7,409
Forward asset purchases and forward deposits placed	**26**	852	459
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	**43,617**	43,894	43,294
Less than one year	**15,466**	15,941	17,983
Unconditionally cancellable	**111,080**	116,441	123,481
	178,349	185,299	192,626

The Group's share of contingent liabilities and commitments relating to joint venture is $353 million (June 2013: $358 million, December 2013: $388 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 statement as commitments.

31. 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 27 and 28 of the Risk 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.

32. Post balance sheet events

There are no post balance sheet events to disclose.

33. Related party transactions

Directors, connected persons or officers

As at 30 June 2014, Standard Chartered Bank had created a charge over $74 million (30 June 2013: $55 million; 31 December 2013: $60 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

Other than those disclosed in the accounts, there were no material transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the 'Hong Kong Listing Rules').

Associates

The Group has loans and advances to China Bohai Bank of $1 million at 30 June 2014 (30 June 2013: $16 million; 31 December 2013: $20 million) and amounts payable of $17 million (30 June 2013: $14 million; 31 December 2013: $20 million).

Except as disclosed, the Group did not have any other amounts due to or from associate investments.

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling $17 million at 30 June 2014 (30 June 2013: $23 million; 31 December 2013: $31 million), and deposits of $43 million (30 June 2013: $61 million; 31 December 2013: $31 million).

The Group has an investment in subordinated debt issued by PT Bank Permata Tbk of $114 million (30 June 2013: $128 million and 31 December 2013: $114 million).

34. Statutory accounts

The information in this half year report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This document was approved by the Board on 6 August 2014. The statutory accounts for the year ended 31 December 2013 have been reported by the Company's auditors and delivered to the Registrar of Companies in England and Wales. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

35. Corporate governance

The directors confirm that, throughout the period, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit Committee. The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Hong Kong Listing Rules and that the directors of the Company have complied with this code of conduct throughout the period.

As previously announced Mr Richard Meddings stepped down from the Board as Group Finance Director on 30 June 2014, Mr Andy Halford was appointed as Group Finance Director on 1 July 2014 and Dr Byron Grote joined the Board as an Independent Non-Executive Director on 1 July 2014. Since 31 December 2013 the membership of a number of committees has changed resulting in a change in the emolument of a number of Independent Non-Executive Directors. A list of the committee's membership can be found at www.sc.com. In compliance with Rule 13.51B(1) of the Hong Kong Listing Rules, Mr Naguib Kheraj was appointed as a member of the Audit and Risk Committees on 1 January 2014 and to the Nomination Committee and Chairman of the Audit Committee on 1 May 2014. Mrs Christine Hodgson was appointed to the Brand and Values Committee on 1 February 2014 and to the Audit Committee on 1 May 2014. Dr Lars Thunell was appointed to the Audit Committee and Chairman of the Risk Committee on 1 April 2014 and to the Nomination Committee on 1 May 2014. Dr Byron Grote was appointed to the Audit and Brand and Values Committees with effect from 1 July 2014. The fee for sitting on the Audit, Brand and Values, Remuneration and Risk Committees is GBP 30,000 per committee, a member of the Nomination Committee receives a fee of GBP 15,000 and the fee for Chairing the Audit or Risk Committee is GBP 70,000.

In compliance with Rule 13.51B (1) of the Hong Kong Listing Rules, the Company confirms that Mr Jaspal Bindra, Group Executive Director and Chief Executive Officer, Asia was appointed as an Independent Non-Executive Director of Reckitt Benckiser Group plc with effect from 1 July 2014 and that Sir John Peace, Chairman stepped down from the Board of Experian plc with effect from 16 July 2014.

36. UK 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. EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the EU.

Standard Chartered PLC – Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

A Halford
Group Finance Director

6 August 2014

Independent review report by KPMG Audit Plc to Standard Chartered PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 set out on pages 94 to 148, which comprises the condensed consolidated interim balance sheet, the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

John Hughes
for and on behalf of KPMG Audit Plc
Chartered Accountants
London
6 August 2014

A. Remuneration

Performance and reward philosophy and principles

Our approach to performance, reward and benefits supports and drives our business strategy and reinforces our values in the context of a clearly articulated risk appetite.

Our approach:

- supports a strong performance-oriented culture, ensuring that individual reward and incentives relate directly to: (i) the performance and behaviour of the individual (ii) the performance of the business; and (iii) the interests of shareholders
- ensures a competitive reward package that reflects our international nature and enable us to attract, retain and motivate our employees
- reflects the fact that many of our employees bring international experience and expertise, and we recruit from a global marketplace
- encourages an appropriate mix of fixed and variable compensation based on (i) the individual's responsibility and (ii) the individual's risk profile and that of the business

Total remuneration is typically delivered via a combination of base salary and benefits plus variable compensation. Consistent with our pay for performance culture, our discretionary variable compensation incentives play an integral role in enabling us to recognise and reward superior performance and behaviour that support our values.

B. Group Share Plans

2011 Standard Chartered Share Plan (the '2011 Plan')

Approved by shareholders in May 2011 this 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 performance shares, deferred awards and restricted shares, giving us 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 and their significance as a proportion of total remuneration is one of the strongest indicators of our commitment to pay for sustainable performance ensuring 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: total shareholder return (TSR), earnings per share (EPS) 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 for executive directors for years up to and including 2013 are subject to an annual limit of 400 per cent of base salary in face value terms and delivered as nil cost options.

Deferred awards are used to deliver the deferred portion of annual performance awards, in line with both market practice and the requirements of the PRA. For 2013 awards, these are subject to a three year deferral period, vesting equally one third on each of the first, second and third anniversaries. These awards are not subject to an annual limit to ensure that regulatory requirements relating to deferral levels can be met and in line with market practice of our competitors. Deferred awards will not be subject to any further performance criteria, although the Group's claw back policy will apply.

Restricted share awards which are made as part of a buy-out 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.

The remaining life of the plan during which new awards can be made is seven years.

2000 Executive Share Option Scheme ('2000 ESOS') – now closed to new grants

The Group previously operated the 2000 ESOS for executive directors and selected senior managers. Executive share options to purchase ordinary shares in Standard Chartered PLC were exercisable after the third, but before the tenth, anniversary of the date of grant subject to EPS performance criteria being satisfied. The exercise price per share is the share price at the date of grant. There are no outstanding awards under this plan.

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 nine years.

Valuation of options
Details of the valuation models used in determining the fair values of options granted under the Group's share plans are detailed in the Group's 2013 Annual Report and Accounts.

Reconciliation of option movements for the 6 months to 30 June 2014

	2011 Plan [1]								
	Performance Shares	Deferred / Restricted shares	PSP [1]	RSS [1]	SRSS [1]	ESOS[2]	Weighted average exercise price (£)	Sharesave	Weighted average exercise price (£)
Outstanding at 1 January	13,315,596	15,493,384	535,629	7,091,740	980,352	36,156	7.89	14,596,338	11.62
Granted	4,815,979[3]	8,322,192[4]	-	147,942[5]	-	-	-	-	-
Lapsed	(2,693,436)	(246,168)	(1,321)	(172,442)	(3,299)	-	-	(2,172,978)	13.42
Exercised	(827,481)	(4,818,051)	(248,260)	(4,291,332)	(261,880)	(36,156)	7.89	(313,403)	10.82
Outstanding at 30 June	**14,610,658**	**18,751,357**	**286,048**	**2,775,908**	**715,173**	**-**	**-**	**12,109,957**	**11.31**
Exercisable at 30 June	463,702	1,628,033	286,048	2,775,908	715,173	-	-	-	-
Range of exercise prices (£)	-	-	-	-	-	-	-	10.65 to 14.63	-
Intrinsic value of vested but not exercised options ($ million)	0.3	2.1	0.6	3.4	0.7	-	-	-	-
Weighted average contractual remaining life (years)	8.6	5.9	4.1	2.9	2.4	-	-	1.9	-
Weighted average share price for options exercised during the period (£)	12.74	12.29	12.77	12.47	12.39	12.57	-	12.99	-

1 Employers do not contribute towards the cost of these awards
2 The closing balance in the 2013 accounts was understated by 12,547 shares and the opening balance for 2014 has been restated
3 4,687,363 granted on 13 March 2014 and 128,616 granted on 18 June 2014
4 268,035 granted on 11 March 2014, 7,969,321 granted on 13 March 2014, 81,432 granted on 18 June 2014, 263 granted on 19 June 2014, 3,101 granted on 20 June 2014 and 40 granted on 22 June 2014
5 Granted on 10 March 2014 and relates to notional dividend applied to unvested portion of awards

C. Non-Executive Directors' interests in ordinary shares[1, 2, 3] as at 30 June 2014

	At 1 January 2014 total interests	Personal interests	Family interests	At 30 June 2014 total interests
Chairman :				
Sir John Peace	7,543	**18,185**	**-**	**18,185**
Independent non-executive directors :				
O P Bhatt	2,000	**2,000**	**-**	**2,000**
Dr K M Campbell[4]	2,000	**-**	**-**	**-**
Dr L C Y Cheung	2,000	**2,000**	**-**	**2,000**
J F T Dundas[5]	3,141	**3,141**	**-**	**3,141**
C Hodgson	2,000	**2,000**	**-**	**2,000**
N Kheraj[6]	-	**2,000**	**-**	**2,000**
S J Lowth	10,313	**10,561**	**-**	**10,561**
R H P Markham[5]	4,390	**4,390**	**-**	**4,390**
R Markland	3,978	**4,093**	**-**	**4,093**
J G H Paynter	10,000	**12,500**	**-**	**12,500**
Dr Han Seung-soo KBE	2,465	**2,536**	**-**	**2,536**
P D Skinner	16,005	**16,467**	**-**	**16,467**
O H J Stocken	17,915	**17,915**		**17,915**
Dr L H Thunell	6,411	**6,598**	**-**	**6,598**

[1] The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares

[2] No director had an interest in the Company's preference shares or loan stock, nor the shares or loan stocks of any subsidiary or associated undertaking of the Group

[3] No director had any corporate interests in the Company's ordinary shares

[4] Shareholders approved to disapply the shareholding qualification in relation to Dr Kurt Campbell at the Company's 2014 Annual General Meeting

[5] Jamie Dundas and Rudy Markham stepped down from the Board on 1 May 2014. Their total interests represent their holding as at 1 May 2014

[6] Naguib Kheraj joined the Board on 1 January 2014

Share awards

Sharesave

Director	Plan	Grant date	As at 1 January 2014	Exercise Price (Pence)	Exercised	Lapsed	As at 30 June 2014	Period of exercise
P A Sands	Sharesave	01-Oct-12	789	1,140	-	-	789	2015-2016
S P Bertamini[1]	Sharesave	09-Oct-09	1,405	1,104	-	-	1,405	2014-2015
J S Bindra	Sharesave	09-Oct-09	1,407	1,104	-	-	1,407	2014-2015
R H Meddings[2]	Sharesave	04-Oct-10	614	1,463	-	614	-	2013-2014
R H Meddings[3]	Sharesave	09-Oct-13	764	1,178	-	764	-	2016-2017

[1] Steve Bertamini stepped down from the Board on 31 March 2014. Figures shown are as at 31 March 2014

[2] The Group's share price remained below the 2010 Sharesave exercise price throughout the six month exercise period. Unexercised awards lapsed and savings contributions were returned following the end of the exercise period

[3] Richard Meddings stepped down from the Board on 30 June 2014. Savings contract terminated and savings returned following withdrawal from the Plan

Share awards continued

Scheme interest awarded during the year

Director	Scheme	Face Value (GBP)[1]	Percentage vesting at threshold[2]	Number of shares[3,4]	Performance period end date[5]
P A Sands	PSA	2,504,517	30%	201,166	31-Dec-16
	DRSA	905,240	100%	72,710	N/A
S P Bertamini[6]	PSA	1,291,488	30%	103,734	31-Dec-16
	DRSA	452,620	100%	36,355	N/A
J S Bindra	PSA	1,363,910	30%	109,551	31-Dec-16
	DRSA	506,939	100%	40,718	N/A
R H Meddings[7]	PSA	1,689,789	30%	135,726	31-Dec-16
	DRSA	624,617	100%	50,170	N/A
A M G Rees	PSA	2,413,993	30%	193,895	31-Dec-16
	DRSA	2,353,648	100%	189,048	N/A
V Shankar	PSA	1,538,920	30%	123,608	31-Dec-16
	DRSA	539,521	100%	43,335	N/A

1 Face value calculated based on share value at date of grant 13 March 2014 GBP 12.45
2 DRSA are not subject to performance conditions
3 DRSA are subject to notional dividend payments at the date of vesting
4 DRSA were awarded in respect of 2013 performance and part of 2013 total variable compensation decisions disclosed in the 2013 Annual Report and Accounts
5 PSA are exercisable between 2017 and 2024 and DRSA are exercisable between 2015 and 2021with the exception of Steve Bertamini whose conditional rights are automatically exercised on vesting
6 Steve Bertamini stepped down from the Board on 31 March 2014
7 Richard Meddings stepped down from the Board on 30 June 2014

Executive Directors' Shareholdings

						Additional shares from unvested awards	
Director	Shareholding Requirement as at 30 June 2014	Shares held beneficially as at 30 June 2014[1]	Met requirements as at 30 June 2014	Fixed Pay Allowance Shares beneficially held[2]	Vested but unexercised awards as at 30 June 2014	Subject to deferral but not performance conditions	Subject to performance conditions
P A Sands	250,000	293,846	Met	14,621	-	150,269	626,622
S P Bertamini[3]	120,000	126,490	Met	-	-	79,049	373,656
J S Bindra	150,000	187,095[4]	Met	12,257	-	82,529	329,856
R H Meddings[5]	120,000	132,686	Met	-	48,022	103,353	425,355
A M G Rees	200,000	200,835	Met	13,292	56,197	410,646	537,129
V Shankar	150,000	150,539	Met	14,421	-	100,483	323,355

1 Excludes shares received from Fixed Pay Allowance
2 Fixed Pay Allowance Shares are beneficially held by each Director but do not count immediately for the purposes of the meeting their shareholding requirement
3 Steve Bertamini stepped down from the Board on 31 March 2014. Figures shown are as at 31 March 2014
4 153,000 of these shares are subject to a charge from 28 December 2011
5 Richard Meddings stepped down from the Board on 30 June 2014. Figures shown are as at 30 June 2014

D. Share price information

The middle market price of an ordinary share at the close of business on 30 June 2014 was 1,194 pence. The share price range during the first half of 2014 was 1,184.50 pence to 1,360 pence (based on the closing middle market prices).

E. Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO).

As a result of this exemption, shareholders no longer have an obligation under the SFO to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

F. Code for Financial Reporting Disclosure

The British Bankers' Association Code for Financial Reporting Disclosure sets out five disclosure principles together with supporting guidance. The principles are that UK banks will: provide high quality, meaningful and decision useful disclosures; review and enhance their financial instrument disclosures for key areas of interest; assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited. The Group's interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with the Code's principles.

G. Shareholder information

2014 interim dividend	
Ex-dividend date	13 August 2014
Record date for dividend	15 August 2014
Dividend payment date	20 October 2014

2014 final dividend	(provisional only)
Results and dividend announcement date	3 March 2015

Preference shares	Next half-yearly dividend
7 3/8 per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2014
8 ¼ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2014
6.409 per cent Non-Cumulative preference shares of $5 each	30 July 2014
7.014 per cent Non-Cumulative preference shares of $5 each	30 July 2014

Previous dividend payments (not adjusted for rights issue)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under the share dividend scheme
Interim 2003	10 October 2003	15.51c/9.3625p/HK$1.205	£8.597/$14.242
Final 2003	14 May 2004	36.49c/20.5277p/HK$2.8448	£8.905/$15.830
Interim 2004	8 October 2004	17.06c/9.4851p/HK$1.3303	£9.546/$17.16958
Final 2004	13 May 2005	40.44c/21.145p/HK$3.15156	£9.384/$17.947
Interim 2005	14 October 2005	18.94c/10.7437p/HK$1.46911	£11.878/$21.3578
Final 2005	12 May 2006	45.06c/24.9055p/HK$3.49343	£14.2760/$24.77885
Interim 2006	11 October 2006	20.83c/11.14409p/HK$1.622699	£13.2360/$25.03589
Final 2006	11 May 2007	50.21c/25.17397p/HK$3.926106	£14.2140/$27.42591
Interim 2007	10 October 2007	23.12c/11.39043p/HK$1.794713	£15.2560/$30.17637
Final 2007	16 May 2008	56.23c/28.33485p/HK$4.380092	£16.2420/$32.78447
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124*	£17.394/$27.190
Final 2010	11 May 2011	46.45c/28.2725p/HK$3.623404/INR1.9975170*	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125*	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015*	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950*	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575*	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813*	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626*	£11.949/$19.815

* The INR dividend is per Indian Depository Receipt

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and you will still receive your dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information please visit our website at: http://investors.sc.com/en/resource.cfm or contact the shareholder helpline on 0870 702 0138.

Donating shares to ShareGift
Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. Further information can be obtained from the Company's Registrars or from ShareGift on 020 7930 3737 or from www.sharegift.org. There is no implication for Capital Gains Tax (no gain no loss) when you donate shares to charity and UK tax payers may be able to claim income tax relief on the value of their donation.

Bankers' Automated Clearing System (BACS)
Dividends can be paid straight into your bank or building society account. Please register online at www.investorcentre.co.uk or contact our registrar for a mandate form.

Registrars and shareholder enquiries
If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, or contact the shareholder helpline on 0870 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. You can check your shareholding at: www.computershare.com/hk/investors.

If you hold Indian Depository Receipts and you have enquiries, please contact Karvy Computershare Private Limited, 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 001, India.

Chinese translation
If you would like a Chinese version of this Half year report, please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本半年報告之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心17M樓。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Half year report, the English text shall prevail.

Taxation
Information on taxation applying to dividends paid to you if you are a shareholder in the United Kingdom, Hong Kong and the United States will be sent to you with your dividend documents.

H. Convenience translation of selected financial statements into Indian Rupees

In compliance with clause 37(3) of Indian Depository Receipts Listing agreement, the condensed consolidated interim financial statements on pages 94 to 98 are presented in Indian rupees (INR) using a US dollar / Indian rupee exchange rate of 60.0933 as at 30 June 2014 as published by Reserve Bank of India. Amounts have been translated using the said exchange rate including totals and sub-totals and any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Condensed consolidated interim income statement (Translated to INR)

For the six months ended 30 June 2014

	6 months ended 30.06.14 Rs. million	6 months ended 30.06.13 Rs. million	6 months ended 31.12.13 Rs. million
Interest income	**516,983**	535,672	521,550
Interest expense	**(180,220)**	(199,269)	(187,551)
Net interest income	**336,763**	336,402	333,999
Fees and commission income	**137,253**	140,498	134,789
Fees and commission expense	**(13,401)**	(14,603)	(14,242)
Net trading income	**57,329**	101,257	49,817
Other operating income	**38,159**	36,657	23,797
Non-interest income	**219,341**	263,810	194,161
Operating income	**556,103**	600,212	528,160
Staff costs	**(207,562)**	(204,137)	(190,676)
Premises costs	**(26,501)**	(25,600)	(27,102)
General administrative expenses	**(52,582)**	(51,680)	(70,429)
Depreciation and amortisation	**(18,809)**	(21,093)	(21,814)
Operating expenses	**(305,454)**	(302,510)	(310,021)
Operating profit before impairment losses and taxation	**250,649**	297,702	218,139
Impairment losses on loans and advances and other credit risk provisions	**(50,839)**	(43,868)	(53,303)
Other impairment			
Goodwill impairment	**-**	(60,093)	-
Other	**(11,117)**	(661)	(7,091)
Profit from associates and joint ventures	**6,791**	6,730	6,851
Profit before taxation	**195,484**	199,810	164,596
Taxation	**(51,019)**	(65,442)	(46,572)
Profit for the period	**144,464**	134,369	118,023
Profit attributable to:			
Non-controlling interests	**2,644**	3,305	3,305
Parent company shareholders	**141,820**	131,063	114,718
Profit for the period	**144,464**	134,369	118,023
	Rupees	Rupees	Rupees
Earnings per share:			
Basic earnings per ordinary share	**56.8**	52.9	46.0
Diluted earnings per ordinary share	**56.5**	52.5	45.5
Dividends per ordinary share:			
Interim dividend declared	**17.31**	-	-
Interim dividend paid	**-**	17.31	-
Final dividend paid	**-**	-	34.37
	Rs. million	Rs. million	Rs. million
Total dividend:			
Total interim dividend payable	**42,666**	-	-
Total interim dividend (paid 17 October 2013)	**-**	41,825	-
Total final dividend (paid 15 May 2014)	**-**	-	83,229

Condensed consolidated interim statement of comprehensive income (Translated to INR)

For the six months ended 30 June 2014

	6 months ended 30.06.14 Rs.million	6 months ended 30.06.13 Rs.million	6 months ended 31.12.13 Rs.million
Profit for the period	**144,464**	134,369	118,023
Other comprehensive income :			
Items that will not be reclassified to Income statement:			
Actuarial (losses)/gains on retirement benefit obligations	**(4,207)**	2,644	2,103
Items that may be reclassified subsequently to Income statement:			
Exchange differences on translation of foreign operations:			
Net gains/(losses) taken to equity	**21,513**	(66,824)	(5,649)
Net (losses)/gains on net investment hedges	**(3,485)**	4,868	(6,971)
Share of other comprehensive income from associates and joint ventures	**361**	(180)	(721)
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity	**16,706**	(6,911)	17,187
Reclassified to income statement	**(14,963)**	(12,620)	(2,284)
Cash flow hedges:			
Net gains/(losses) taken to equity	**4,026**	(9,675)	4,687
Reclassified to income statement	**180**	(120)	481
Taxation relating to components of other comprehensive income	**(1,803)**	3,846	(1,803)
Other comprehensive income for the period, net of taxation	**18,328**	(84,972)	7,031
Total comprehensive income for the period	**162,793**	49,397	125,054
Total comprehensive income attributable to:			
Non-controlling interests	**1,743**	2,344	2,404
Parent company shareholders	**161,050**	47,053	122,650
	162,793	49,397	125,054

Condensed consolidated interim balance sheet (Translated to INR)

As at 30 June 2014

	30.06.14 Rs.million	30.06.13 Rs.million	31.12.13 Rs.million
Assets			
Cash and balances at central banks	**3,736,722**	3,462,636	3,277,128
Financial assets held at fair value through profit or loss	**2,193,225**	1,690,725	1,762,837
Derivative financial instruments	**2,890,788**	3,277,969	3,713,886
Loans and advances to banks	**5,247,587**	4,405,139	5,029,929
Loans and advances to customers	**17,980,456**	17,147,803	17,469,603
Investment securities	**6,063,835**	5,697,566	6,172,543
Other assets	**2,228,500**	2,286,009	2,017,332
Current tax assets	**17,427**	11,898	14,062
Prepayments and accrued income	**168,682**	161,471	150,834
Interests in associates and joint ventures	**116,100**	109,310	106,185
Goodwill and intangible assets	**372,578**	357,134	364,766
Property, plant and equipment	**418,670**	406,171	414,824
Deferred tax assets	**38,099**	44,229	31,789
Total assets	**41,472,670**	39,058,061	40,525,720
Liabilities			
Deposits by banks	**2,955,929**	2,704,920	2,615,080
Customer accounts	**22,872,051**	22,313,484	22,899,513
Financial liabilities held at fair value through profit or loss	**1,617,471**	1,349,455	1,383,949
Derivative financial instruments	**2,871,558**	3,231,878	3,679,873
Debt securities in issue	**4,282,970**	3,526,876	3,881,366
Other liabilities	**2,043,533**	1,725,819	1,642,831
Current tax liabilities	**69,828**	77,280	63,098
Accruals and deferred income	**309,721**	253,113	280,516
Subordinated liabilities and other borrowed funds	**1,483,764**	1,105,296	1,225,723
Deferred tax liabilities	**13,100**	10,697	10,576
Provisions for liabilities and charges	**6,130**	8,834	6,430
Retirement benefit obligations	**28,364**	24,698	21,934
Total liabilities	**38,554,419**	36,332,349	37,710,889
Equity			
Share capital	**74,215**	72,833	72,953
Reserves	**2,826,909**	2,617,424	2,706,121
Total parent company shareholders' equity	**2,901,124**	2,690,257	2,779,075
Non-controlling interests	**17,127**	35,455	35,756
Total equity	**2,918,251**	2,725,712	2,814,830
Total equity and liabilities	**41,472,670**	39,058,061	40,525,720

Condensed consolidated interim statement of changes in equity (Translated to INR)

For the six months ended 30 June 2014

	Share capital	Share premium account	Capital and Capital redemption reserve[1]	Merger reserve	Available -for-sale reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Parent company shareholders equity	Non-controlling interests	Total
	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million
At 1 January 2013	72,533	329,071	1,082	746,419	28,725	4,868	(53,183)	1,596,439	2,725,952	41,645	2,767,597
Profit for the period	-	-	-	-	-	-	-	131,063	131,063	3,305	134,369
Other comprehensive income	-	-	-	-	(16,646)	(7,932)	(61,475)	2,043[2]	(84,010)	(961)	(84,972)
Distributions	-	-	-	-	-	-	-	-	-	(2,284)	(2,284)
Shares issued, net of expenses	240	1,022	-	-	-	-	-	-	1,262	-	1,262
Net own shares adjustment	-	-	-	-	-	-	-	(7,752)	(7,752)	-	(7,752)
Share option expense, net of taxation	-	-	-	-	-	-	-	6,190	6,190	-	6,190
Capitalised on scrip dividend	60	(60)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(82,448)	(82,448)	-	(82,448)
Other decreases[3]	-	-	-	-	-	-	-	-	-	(6,250)	(6,250)
At 30 June 2013	72,833	330,032	1,082	746,419	12,079	(3,065)	(114,658)	1,645,535	2,690,257	35,455	2,725,712
Profit for the period	-	-	-	-	-	-	-	114,718	114,718	3,305	118,023
Other comprehensive income	-	-	-	-	14,723	3,966	(11,898)	1,142[2]	7,932	(901)	7,031
Distributions	-	-	-	-	-	-	-	-	-	(2,344)	(2,344)
Shares issued, net of expenses	60	120	-	-	-	-	-	-	180	-	180
Net own shares adjustment	-	-	-	-	-	-	-	300	300	-	300
Share option expense, net of taxation	-	-	-	-	-	-	-	8,233	8,233	-	8,233
Capitalised on scrip dividend	60	(60)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(41,825)	(41,825)	-	(41,825)
Other (decreases)/increases	-	-	-	-	-	-	-	(721)	(721)	240	(481)
At 31 December 2013	**72,953**	**330,092**	**1,082**	**746,419**	**26,802**	**901**	**(126,556)**	**1,727,382**	**2,779,075**	**35,756**	**2,814,830**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**141,820**	**141,820**	**2,644**	**144,464**
Other comprehensive income	**-**	**-**	**-**	**-**	**(300)**	**3,546**	**19,410**	**(3,425)**[2]	**19,230**	**(901)**	**18,328**
Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,824)**	**(2,824)**
Shares issued, net of expenses	**180**	**361**	**-**	**-**	**-**	**-**	**-**	**-**	**541**	**-**	**541**
Net own shares adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,348)**	**(5,348)**	**-**	**(5,348)**
Share option expense, net of taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,113**	**8,113**	**-**	**8,113**
Capitalised on scrip dividend	**1,082**	**(1,082)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends, net of scrip	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(43,147)**	**(43,147)**	**-**	**(43,147)**
Other increases/(decreases)[4]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**841**	**841**	**(17,547)**	**(16,706)**
At 30 June 2014	**74,215**	**329,371**	**1,082**	**746,419**	**26,501**	**4,447**	**(107,146)**	**1,826,235**	**2,901,124**	**17,127**	**2,918,251**

[1] Includes capital reserve of Rs.300 million and capital redemption reserve of Rs.781 million

[2] For the period ended 30 June 2014, comprises actuarial loss, net of taxation and non-controlling interests of Rs.3,425 million (30 June 2013: gain of Rs.2,223 million and 31 December 2013:gain of Rs 1,262 million) and share of comprehensive income from associates and joint ventures of Rs.nil million (30 June 2013: Rs.(180) million and 31 December 2013: Rs.(120) million)

[3] Relate to the impact of losing control in a subsidiary after divesting from the company

[4] Relate to the redemption of $300 million 7.267% Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited

Condensed consolidated interim cash flow statement (Translated to INR)

For the six months ended 30 June 2014

	6 months ended 30.06.14 Rs.million	6 months ended 30.06.13 Rs.million	6 months ended 31.12.13 Rs.million
Cash flows from operating activities			
Profit before taxation	**195,484**	199,810	164,596
Adjustments for:			
Non-cash items and other adjustments included within income statement	**92,544**	122,650	124,994
Change in operating assets	**(61,536)**	(2,149,537)	(503,221)
Change in operating liabilities	**470,831**	1,619,034	1,100,308
Contributions to defined benefit schemes	**(1,502)**	(4,627)	(5,468)
UK and overseas taxes paid	**(49,998)**	(50,238)	(52,882)
Net cash from/(used in) operating activities	**645,823**	(262,908)	828,326
Net cash flows from investing activities			
Purchase of property, plant and equipment	**(4,447)**	(5,348)	(6,971)
Disposal of property, plant and equipment	**1,262**	3,245	6,130
Acquisition of associates and joint ventures, net of cash acquired	**-**	-	(2,764)
Purchase of investment securities	**(5,619,986)**	(4,377,136)	(4,209,476)
Disposal and maturity of investment securities	**5,795,999**	4,496,661	3,745,916
Dividends received from associates and joint ventures	**661**	240	60
Net cash from/(used in) investing activities	**173,489**	117,663	(467,105)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	**541**	1,262	180
Purchase of own shares	**(6,310)**	(9,254)	-
Exercise of share options through ESOP	**961**	1,502	300
Interest paid on subordinated liabilities	**(31,849)**	(29,566)	(19,290)
Gross proceeds from issue of subordinated liabilities	**243,738**	165,257	162,132
Repayment of subordinated liabilities	**(17,127)**	(101,498)	(55,706)
Repayment to non-controlling interests	**(18,028)**	(6,250)	-
Interest paid on senior debts	**(24,518)**	(30,047)	(3,786)
Gross proceeds from issue of senior debts	**203,957**	255,517	154,079
Repayment of senior debts	**(255,697)**	(144,584)	(79,564)
Dividends paid to non-controlling interests and preference shareholders, net of scrip	**(5,829)**	(5,288)	(5,408)
Dividends paid to ordinary shareholders, net of scrip	**(40,142)**	(79,443)	(38,760)
Net cash from financing activities	**49,697**	17,607	114,177
Net increase/(decrease) in cash and cash equivalents	**869,009**	(127,638)	475,398
Cash and cash equivalents at beginning of the period	**5,057,212**	4,778,499	4,596,597
Effect of exchange rate movements on cash and cash equivalents	**13,461**	(54,264)	(14,783)
Cash and cash equivalents at end of the period	**5,939,682**	4,596,597	5,057,212

I. Summary of significant differences between Indian GAAP and IFRS

The consolidated financial statements of the Group for the period ended 30 June 2014 with comparatives as at 30 June 2013 and 31 December 2013 are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

IFRS differs in certain significant respects from Indian Generally Accepted Accounting Principles (GAAP). Such differences involve methods for measuring the amounts shown in the financial statements of the Group, as well as additional disclosures required by Indian GAAP.

Set out below are descriptions of certain accounting differences between IFRS and Indian GAAP that could have a significant effect on profit attributable to parent company shareholders for the period ended 30 June 2014, 31 December 2013 and 30 June 2013 and total parent company shareholders' equity as at the same date. This section does not provide a comprehensive analysis of such differences. In particular, this description considers only those Indian GAAP pronouncements for which adoption or application is required in financial statements for period ended on or prior to 30 June 2014. The Group has not quantified the effect of differences between IFRS and Indian GAAP, nor prepared consolidated financial statements under Indian GAAP, nor undertaken a reconciliation of IFRS and Indian GAAP financial statements. Had the Group undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences may have come to its attention which are not identified below. Accordingly, the Group does not provide any assurance that the differences identified below represent all the principal differences between IFRS and Indian GAAP relating to the Group. Furthermore, no attempt has been made to identify future differences between IFRS and Indian GAAP.

In making an investment decision, potential investors should consult their own professional advisers for an understanding of the differences between IFRS and Indian GAAP and how those differences may have affected the financial results of the Group. The summary does not purport to be complete and is subject and qualified in its entirety by reference to the pronouncements of the International Accounting Standards Board (IASB), together with the pronouncements of the Indian accounting profession.

Changes in accounting policy

IFRS (IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

Changes in accounting policy are applied retrospectively. Comparatives are restated and the effect of period(s) not presented is adjusted against opening retained earnings of the earliest year presented. Policy changes made on the adoption of a new standard are made in accordance with that standard's transitional provisions.

Indian GAAP (AS 5 Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies)

The cumulative amount of the change is included in the income statement for the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact disclosed.

Where a change in accounting policy has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such an amount is not ascertainable this fact should be indicated.

Functional and presentation currency

IFRS (IAS 21 The Effects of Changes in Foreign Exchange Rates)

An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency.

Assets and liabilities are translated at the closing rate at the date of that statement of financial position. Income statement items are translated at the exchange rate at the date of transaction or at average rates. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group is US dollars.

Indian GAAP (AS 11 The Effects of Changes in Foreign Exchange Rates)

There is no concept of functional or presentation currency. Entities in India have to prepare their financial statements in Indian rupees.

Consolidation

IFRS (IFRS 10 Consolidation of Financial Statements)

Entities are consolidated when the Group controls an entity. 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. This includes entities where control is not derived through voting rights such as structured entities.

Indian GAAP (AS 21 Consolidated Financial Statements)

Guidance is based on the power through the ability to govern the financial and operating policies of an entity so as to obtain benefits while not taking into consideration potential voting rights.

Indian GAAP (Consolidated of Structured Entities)

No specific guidance.

I. Summary of significant differences between Indian GAAP and IFRS continued

Business combinations

IFRS (IFRS 3 Business Combinations)

All business combinations are treated as acquisitions. Assets, liabilities and contingent liabilities acquired are measured at their fair values. Pooling of interest method is prohibited.

For acquisitions occurring on or after 1 January 2004, IFRS 3 'Business Combinations' (IFRS 3) requires that, when assessing the value of the assets of an acquired entity, certain identifiable intangible assets must be recognised and if considered to have a finite life, amortised through the income statement over an appropriate period. As the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, no intangible assets, other than goodwill, were recognised on acquisitions prior to that date.

Adjustments to provisional fair values are permitted provided those adjustments are made within 12 months from the date of acquisition, with a corresponding adjustment to goodwill.

After re-assessment of respective fair values of net assets acquired, any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised immediately in the income statement.

Where less than 100 per cent of an entity is acquired, non-controlling interests are stated at their proportion of the fair value of the identifiable net assets and contingent liabilities acquired.

Indian GAAP (AS 14 Accounting for Amalgamations)

Treatment of a business combination depends on whether the acquired entity is held as a subsidiary, whether it is an amalgamation or whether it is an acquisition of a business.

For an entity acquired and held as a subsidiary, the business combination is accounted for as an acquisition. The assets and liabilities acquired are incorporated at their existing carrying amounts.

For an amalgamation of an entity, either pooling of interests or acquisition accounting may be used. The assets and liabilities amalgamated are incorporated at their existing carrying amounts or, alternatively, if acquisition accounting is adopted, the consideration can be allocated to individual identifiable assets (which may include intangible assets) and liabilities on the basis of their fair values.

Adjustments to the value of acquired or amalgamated balances are not permitted after initial recognition.

Any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised as capital reserve, which is neither amortised nor available for distribution to shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation.

Minority interests arising on the acquisition of a subsidiary are recognised at their share of the historical book value.

Goodwill

IFRS (IFRS 3 Business Combinations and IAS 38 Intangible Assets)

IFRS 3 requires that goodwill arising on all acquisitions by the Group and associated undertakings is capitalised but not amortised and is subject to an annual review for impairment. Under the transitional provisions of IFRS 1, the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, the date of transition to IFRS. Accordingly, goodwill previously written off to reserves, as permitted under UK GAAP until the implementation of FRS 10 'Goodwill and intangible assets' in 1998, has not been reinstated nor will it be written back on disposal.

Amortisation of goodwill that has been charged up to 31 December 2003 has not been reversed and the deemed carrying value of the goodwill on transition to IFRS is equal to the net book value as at 31 December 2003.

Goodwill is tested annually for impairment. Any impairment losses recognised may not be reversed in subsequent accounting periods.

Indian GAAP (AS 14 Accounting for Amalgamations and AS 26 Intangible Assets)

Goodwill arising for amalgamations is capitalised and amortised over useful life not exceeding five years, unless a longer period can be justified.

For goodwill arising on acquisition of a subsidiary or a business, there is no specific guidance – in practice there is either no amortisation or amortisation not exceeding 10 years.

Goodwill is reviewed for impairment whenever an indicator of impairment exists. Impairment losses recognised may be reversed under exceptional circumstances only in subsequent accounting periods through the income statement.

Acquired and internally generated intangible assets

IFRS (IAS 38 Intangible Assets)

Intangible assets are recognised if the specific criteria are met. Assets with a finite useful life are amortised on a systematic basis over their useful life. An asset with an indefinite useful life and which is not yet available for use should be tested for impairment annually.

Indian GAAP (AS 26 Intangible Assets)

Intangible assets are capitalised if specific criteria are met and are amortised over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortised over a period exceeding 10 years should be reviewed at least at each financial year-end even if there is no indication that the asset is impaired.

I. Summary of significant differences between Indian GAAP and IFRS continued

Property, plant and equipment

IFRS (IAS 16 Property, Plant and Equipment, IAS 23 Borrowing Costs and IAS 39 Financial instruments – recognition and measurement)

Fixed assets are recorded at cost or revalued amounts. Under the transition rules of IFRS 1, the Group elected to freeze the value of all its properties held for its own use at their 1 January 2004 valuations, their 'deemed cost' under IFRS. They will not be revalued in the future.

Foreign exchange gains or losses relating to the procurement of property, plant and equipment, under very restrictive conditions, can be capitalised as part of the asset.

Depreciation is recorded over the asset's estimated useful life. The residual value and the useful life of an asset and the depreciation method shall be reviewed at least at each financial year-end.

The Group has the option to capitalise borrowing costs incurred during the period that the asset is getting ready for its intended use.

Indian GAAP (AS 10 Fixed Assets, AS 16 Borrowing Cost and AS 6 Depreciation Accounting)

Fixed assets are recorded at historical costs or revalued amounts.

Relevant borrowing costs are capitalised if certain criteria in AS-16 are met. Depreciation is recorded over the asset's useful life. Schedule II (Part C) of the Companies Act 2013 and Banking Regulations prescribe minimum rates of depreciation and these are typically used as the basis for determining useful life.

Recognition and measurement of financial instruments

IFRS (IAS 39 Financial Instruments: Recognition and Measurement)

IAS 39 requires all financial instruments to be initially measured at their fair value, which is usually to be the transaction price. In those cases where the initial 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 but is amortised to the income statement until the inputs become observable, the transaction matures or is terminated.

At the time of initial recognition, IAS 39 requires all financial assets to be classified as either:

- Held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss
- Available for-sale at fair value, with unrealised gains and losses reflected in shareholders' equity, and recycled to the income statement when the asset is sold or is impaired
- Held-to-maturity at amortised cost, where there is the intent and the ability to hold them to maturity
- As loans and receivables at amortised cost

At the time of initial recognition, IAS 39 requires all financial liabilities to be classified as either:

- Held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss
- At amortised cost

A financial asset or financial liability, other than one held for trading, can be designated as being held at fair value through profit or loss if it meets the criteria set out below:

- 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, or
- Assets or liabilities include embedded derivatives and such derivatives are not recognised separately

The designation of a financial instrument as held at fair value through profit or loss is irrevocable in respect of the financial instruments to which it relates. Subsequent to initial recognition instruments cannot be classified into or out of this category.

Changes in the fair value of available for sale financial assets resulting from movements in foreign currency exchange rates are included in the income statement as exchange differences. Foreign currency exchange movements for available for sale equity securities is recognised in reserves.

For banks, there is guidance on measurement and accounting of IRS and FRA entered onto for hedging purposes.

Indian GAAP (AS 13 Investments)

AS 13 requires Investments to be categorised as follows:

- Current investments, which are those readily realisable and intended to be held for less than one year, are carried at the lower of cost and fair value, with changes in fair value taken directly to profit or loss;
- Long term investments, which are those investments not classified as current, are carried at cost unless there is a permanent diminution in value, in which case a provision for diminution is required to be made by the entity.

For investments, Reserve Banking India (RBI) outlines similar classifications to IFRS, but the classification criteria and measurement requirements differ from those set out in IFRS.

Financial liabilities are usually carried at cost. There is no ability to designate instruments at fair value.

AS 30 provides guidance on classification criteria and measurement requirements, however this is not mandatory.

I. Summary of significant differences between Indian GAAP and IFRS continued

Derivatives

IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
IAS 39 requires that all derivatives be recognised on balance sheet at fair value. Changes in the fair value of derivatives that are not hedges are reported in the income statement. Changes in the fair value of derivatives that are designated as hedges are either offset against the change in fair value of the hedged asset or liability through earnings or recognised directly in equity until the hedged item is recognised in earnings, depending on the nature of the hedge. The ineffective portion of the hedge's change in fair value is immediately recognised in earnings. A derivative may only be classified as a hedge if an entity meets stringent qualifying criteria in respect of documentation and hedge effectiveness.

IAS 39 requires the separation of derivatives embedded in a financial instrument if it is not deemed to be closely related to the economic characteristics of the underlying host instrument.

Indian GAAP
Foreign exchange contracts held for trading or speculative purposes are carried at fair value, with gains and losses recognised in the income statement.

In the absence of specific guidance, equity options are carried at the lower of cost or market value.

There is no specific guidance on hedge accounting since Accounting Standard 30 is not mandatory. However, requirements of AS 30 with respect to hedge accounting are largely similar to that of IAS 39.

Impairment of financial assets

IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment.

Assets held at amortised cost
If objective evidence of impairment exists, an assessment is made to determine what, if any, impairment loss should be recognised. The impairment loss is the difference between the asset's carrying amount and its estimated recoverable amount.

The recoverable amount is determined based on the present value of expected future cash flows, discounted at the instrument's original effective interest rate, either individually or collectively. Individually assessed assets for which there is no objective evidence of impairment are collectively assessed for impairment.

Available-for-sale assets
If objective evidence of impairment exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognised impairment) is removed from equity and recognised in the income statement.

Market recoveries leading to a reversal of an impairment provision for available-for-sale debt securities are recognised in the income statement. Impairment losses for equity instruments classified as available-for-sale are not permitted to be reversed through profit or loss.

Indian GAAP (AS 13 Investments)
Held to maturity (HTM) investments are written down when there is a decline in fair value which is deemed to be other than temporary. Impairments may be reversed through the income statement in subsequent periods if the investment rises in value, or the reasons for the impairment no longer exist.

In accordance with RBI regulations, in respect of Available for sale (AFS) investments, impairments are required to be reversed through Investment Reserve Account (equity reserve) if the investment rises in value or the reasons for the impairment no longer exist.

For loans and advances, the RBI regulations additionally require banks to hold provisions in respect of standard assets and for specific country risk exposures.

Derecognition of financial assets

IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
A financial asset is derecognised if substantially all the risks and rewards of ownership have been transferred. If substantially all the risks and rewards have not been transferred, the asset will continue to be recognised to the extent of any continuing involvement.

Indian GAAP (RBI Guidelines on Securitisation of Standard Assets)
There is limited guidance on derecognition of financial assets. Securitised financial assets can only be derecognised if the originator has surrendered control over the assets. Control is not surrendered where the securitised assets are not beyond the reach of the creditors of the originator or where the transferee does not have the right to pledge, sell, transfer or exchange the securitised asset for its own benefit, or where there is an option entitles the originator to repurchase the financial assets transferred under a securitisation transaction from the transferee.

I. Summary of significant differences between Indian GAAP and IFRS continued

Liabilities and equity

IFRS (IAS 39 Financial Instruments: Recognition and Measurement)

A financial instrument is classified as a liability where there is a contractual obligation to deliver either cash or another financial asset to the holder of that instrument, regardless of the manner in which the contractual obligation will be settled.

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

Indian GAAP

Classification is based on the legal form rather than substance.

Provisions for liabilities and charges

IFRS (IAS 37 Provisions, Contingents Liabilities and Contingent Assets)

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, discounted using a pre-tax market discount rate if the effect is material.

Indian GAAP (AS 29 Provisions, Contingents Liabilities and Contingent Assets)

Provisions are recognised and measured on a similar basis to IFRS, except that discounting is not permitted.

Pension obligations

IFRS (IAS 19 Employee Benefits)

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on high quality corporate bonds of a currency and term consistent with the currency and term of the post employment benefit obligations.

Actuarial gains or losses are recognised in “Other Comprehensive Income” (retained earnings).

Under the transitional provisions of IFRS 1 ‘First time adoption of International Financial Reporting Standards’ (IFRS 1) and in accordance with IAS 19, the Group elected to record all actuarial gains and losses on the pension surplus or deficit in the year in which they occur within the ‘Consolidated statement of comprehensive income’.

Indian GAAP (AS 15 Employee Benefits)

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on government bonds.

The expected return on plan assets is based on market expectation for the returns over the entire life of the related obligation.

Actuarial gains or losses are recognised immediately in the statement of income.

Under the transitional provisions of IFRS 1 ‘First time adoption of International Financial Reporting Standards’ (IFRS 1) and in accordance with IAS 19, the Group elected to record all actuarial gains and losses on the pension surplus or deficit in the year in which they occur within the ‘Consolidated statement of comprehensive income’.

Share based compensation

IFRS

IFRS 2 ‘Share based payment’ requires that all share-based payments are accounted for using a fair value method.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For equity-settled awards, the total amount to be expensed over the vesting period must be determined by reference to the fair value of the options granted (determined using an option pricing model), excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions must be included in assumptions about the number of options that are expected to become exercisable.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards must be revalued at each balance sheet date on an intrinsic value basis (being the difference between the market price of the share at the measurement date and the exercise price) with any changes in fair value charged or credited to staff costs in the income statement.

Deferred tax is recognised based on the intrinsic value of the award and is recorded in the income statement if the tax deduction is less than or equal to the cumulative share-based compensation expense or equity if the tax deduction exceeds the cumulative expense.

I. Summary of significant differences between Indian GAAP and IFRS continued

Indian GAAP

Entities may either follow the intrinsic value method or the fair value method for determining the costs of benefits arising from share based compensation plans. Although the fair value approach is recommended, entities may use the intrinsic value method and provide fair value disclosures.

Deferred tax is not recognised as it is not considered to represent a timing difference.

Entities are also permitted the option of recognising the related compensation cost over the service period for the entire award (that is, over the service period of the last separately vesting portion of the award), provided that the amount of compensation cost recognised at any date at least equals the fair value of the vested portion of the award at that date.

Deferred Taxation

IFRS (IAS 12 Income Taxes)

Deferred tax is determined based on temporary differences, being the difference between the carrying amount and tax base of assets and liabilities, subject to certain exceptions.

Deferred tax assets are recognised if it is probable (more likely than not) that sufficient future taxable profits will be available to utilise to deferred tax assets.

Indian GAAP (AS 22 Accounting for Taxes on Income)

Deferred tax is determined based on timing differences, being the difference between accounting income and taxable income for a period that is capable of reversal in one or more subsequent periods.

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

Interest income and expense

IFRS (IAS 18 Revenue)

Interest income and expense is recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Indian GAAP (AS 9 Revenue Recognition)

In the absence of a specific effective interest rate requirement, premiums and discounts are usually amortised on a straight line basis over the term of the instrument.

Dividends

IFRS (IAS 10 Events After Balance Sheet date)

Dividends to holders of equity instruments, when proposed or declared after the balance sheet date, should not be recognised as a liability on the balance sheet date. A company however is required to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue.

Indian GAAP

Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.

Additional Value Adjustment	See **Prudent valuation adjustment**
Additional Tier 1 Capital	Additional Tier 1 Capital consists of Instruments issued 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.
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.
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.
ASEAN	Association of South East Asian Nations (ASEAN) which includes the Group's operations 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 2.5	In 2009 the European Commission proposed further changes to **CRD 3** to address the lessons of the financial crisis. These changes reflected international developments and follow the agreements reached by the Basel Committee on Banking Supervision (BCBS). They included higher capital requirements for re-securitisations, upgrading disclosure standards for **securitisation** exposures and strengthening **market risk** capital requirements.
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.
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.
Collateralised Loan Obligation (CLO)	A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).
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.
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.
Counterparty credit risk	The risk that a counterparty defaults before satisfying its obligations under a contract.
Cost to income ratio	Represents the proportion of total operating expenses to total operating income.
Cover ratio	Represents the extent to which **non-performing loans** are covered by **impairment allowances**.
Covered bonds	Debt securities backed by a portfolio of mortgages that are segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds.
CRD 3	See **Basel 2.5**
CRD IV	Represents the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) that implement the **Basel III** proposals in Europe.
Credit Conversion Factor (CCF)	Either prescribed by **BIPRU** or modelled by the bank, an estimate of the amount the Group expects a customer to have drawn 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 risk spread	The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.
Credit valuation adjustments (CVA)	An adjustment to fair value primarily in respect of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the transactions.
Customer deposits	Money deposited by all individuals and companies which are not credit institutions 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.
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.
Effective tax rate (ETR)	The tax on profits on ordinary activities as a percentage of profit on ordinary activities before taxation.
Expected loss (EL)	The Group measure of anticipated loss for exposures captured under an internal ratings based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on **Probability of Default (PD), Loss Given Default (LGD)** and **Exposure at Default (EAD)**, with a one-year time horizon.
Exposures	Credit exposures represent the amount lent to a customer, together with 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.
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.
Forbearance	Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial liabilities.
Foundation Internal Ratings Based Approach	A method of calculating credit risk capital requirements using internal **PD** models but with supervisory estimates of **LGD** and conversion factors for the calculation of **EAD**.
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.
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.
General Prudential Sourcebook(GENPRU)	The PRA's General Prudential Sourcebook for Banks, Building Societies, Insurers and Investment Firms.
Guaranteed mortgages	Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.
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 III Rules require this ratio to be at least 100 per cent 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).
Individual liquidity guidance	Guidance given to the Group about the amount, quality and funding profile of liquidity resources that the PRA has asked the Group to maintain.
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.**
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 Capital Adequacy Assessment Process (ICAAP)	A requirement on institutions under **Pillar 2** of the **Basel II** framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other mitigants are not available.
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.
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.
Investment grade	A **debt security**, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.
Jaws	The rate of income growth less the rate of expense growth, expressed as positive jaws when income growth exceeds expense growth (and vice versa for negative jaws).
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.
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.

Liquidity and credit enhancements	Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing **commercial paper.**
Liquid asset 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.
Liquid cover 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.
Master netting agreement	An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.
Mezzanine capital	Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.
Mortgage Backed Securities (MBS)	Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Mortgage related assets	Assets which are referenced to underlying mortgages.
Medium term notes (MTNs)	Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.
Net asset value per share	Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net interest income	The difference between interest received on assets and interest paid on liabilities.
Net interest margin	The margin is expressed as net interest income divided by average interest earning assets.
Net interest yield	Interest income divided by average interest earning assets less interest expense divided by average interest bearing liabilities.
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
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.
Pre-provision profit	Operating profit before impairment losses and taxation.
Private equity investments	Equity securities in operating companies *generally* not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital**.**
Probability of default (PD)	PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.
Profit attributable to ordinary shareholders	Profit for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.
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.
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 forborne 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.
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.
Risk-weighted assets	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.
Seasoning	The emergence of credit loss patterns in portfolio over time.
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.
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.
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 include 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.

Tangible net asset value per share — Ratio of parent shareholders' equity less preference shares classified as equity and goodwill and intangible assets to the number of ordinary shares outstanding at the end of the reporting period.

Tier 1 capital — Tier 1 capital comprises **Core Tier 1 capital** plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions.

Tier 1 capital ratio — **Tier 1 capital** as a percentage of risk-weighted assets.

Tier 2 capital — Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.

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.

Working profit — Operating profit before impairment losses and taxation.

Write downs — After an advance has been identified as impaired and is subject to an **impairment allowance**, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write downs will occur when and to the extent that, the whole or part of a debt is considered irrecoverable.

Financial Calendar

Ex-dividend date	13 August 2014
Record date	15 August 2014
Expected posting to shareholders of 2014 Half Year Report	5 September 2014
Payment date – interim dividend on ordinary shares	20 October 2014

Copies of this statement are available from:

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The following information for the Half Year Results 2014 will be available on our website:

The video interviews with Peter Sands, Group Chief Executive and Andy Halford, Group Finance Director

The analyst presentation in pdf format

The webcast of the live analyst presentation in London with Q&A

A podcast of the analyst presentation

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

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

Forward looking statements

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

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

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

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