Standard Chartered

Annual Report 2015

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

About us

We are a leading international banking group, with around 84,000 employees and a 150-year history in some of the world's most dynamic markets. We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East. Our heritage and values are expressed in our brand promise, Here for good.

Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

About the report

On 19 July 2015, we announced a reorganisation of our business. Our three client businesses supported by five product groups were simplified, with each product now reporting into the client segment with which it has the most relevant connection: Corporate and Institutional Banking includes Transaction Banking, Corporate Finance and Financial Markets; Commercial and Private Banking includes Wealth Management; and Retail Banking includes Retail Products. We also announced a rationalised geographic structure, reducing our eight regional businesses to four. These changes were implemented from 1 October 2015, and will be reflected in our 2016 Annual Report and Accounts.

Enhancing this report

In line with global developments in reporting, we no longer publish a separate sustainability review. Instead, sustainability reporting is embedded across the Annual Report and Accounts, reinforcing our commitment to sustainability as the foundation of our business.

Content symbols

Further information is available where you see these icons:

Additional information can be found within the report

More information is available online

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 Asia (NEA) includes Korea, Japan and Mongolia; Middle East, North Africa and Pakistan (MENAP) includes the 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 is headquartered in London where it is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority and PRA. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC stock codes are: HKSE 02888; LSE STAN.LN; and BSE/NSE STAN.IN.

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Cover: Menara Standard Chartered (our head office in Malaysia) is located within the Golden Triangle commercial district of Kuala Lumpur

Strategic report

Directors' report

Risk and capital review

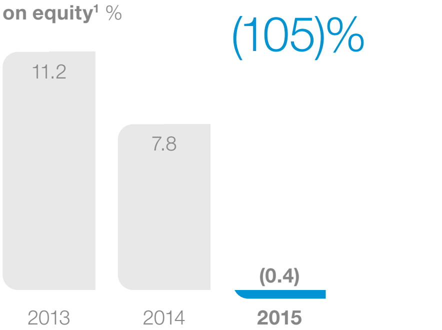
Financial statements and notes

Supplementary information

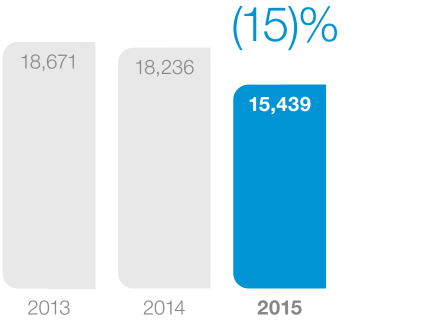
Our performance

Repositioning the Group in a challenging environment

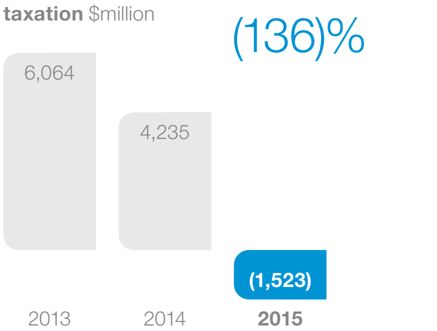
Normalised return on equity[1] %



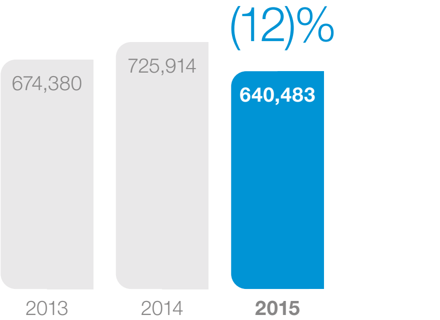
Operating income[2] $million



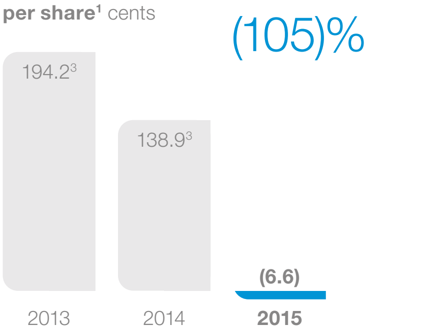
Profit before taxation $million



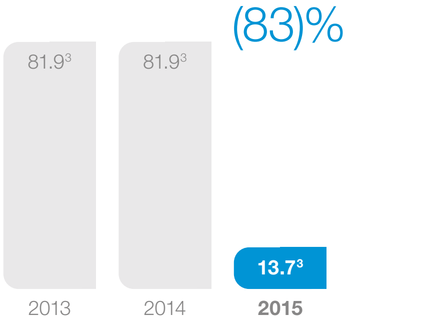
Total assets $million



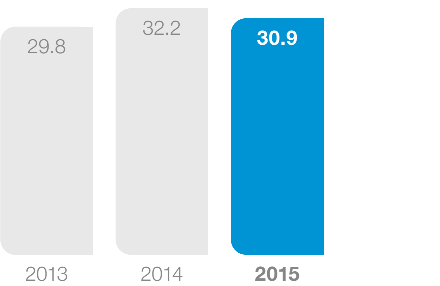
Normalised earning per share[1] cents



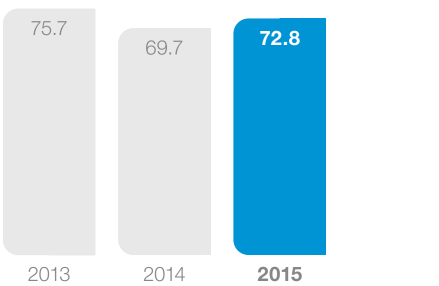
Dividend per share[4] cents



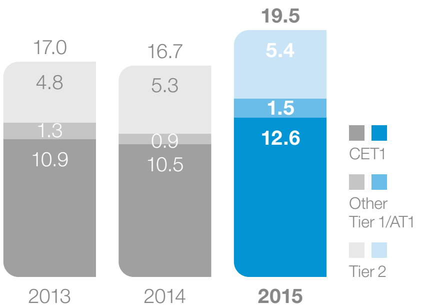
Liquid asset ratio[5] %



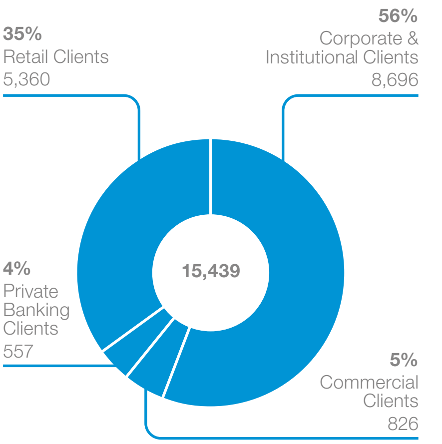
Advances-to-deposits ratio[6] %



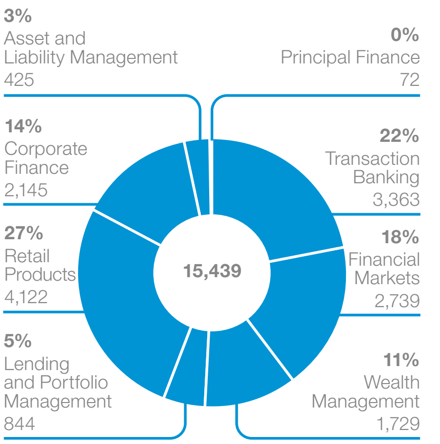
Capital ratio %



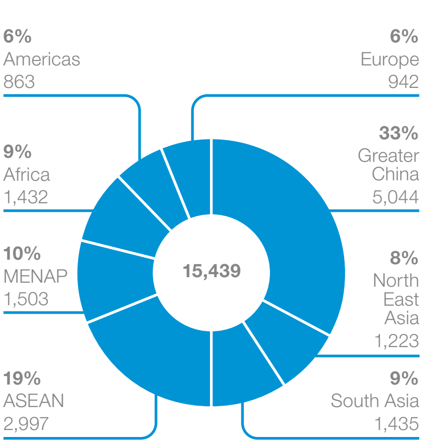
Operating income by segment $million



Operating income by product $million



Operating income by region $million



1. Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 14 of the financial statements
2. Excludes own credit adjustment of $495 million (2014: $100 million), net gains on business disposals of $218 million (2014: $2 million loss) and $863 million valuation losses in respect of credit valuation and funding valuation adjustment
3. Prior years' earnings per share amounts and interim and final dividend per share amounts declared and paid prior to the rights issue in November 2015 (including 2015 interim dividend per share) have been restated as explained in note 44 of the financial statements
4. Represents the total dividend per share for the respective years together with the interim dividend per share declared and paid in those years
5. Further details on liquid asset ratio are set out on page 192
6. Further details on advances-to-deposits ratio are set out on page 192

Chairman's statement

Taking action to restore shareholder returns

> The Board is confident in the Group's compelling opportunities and that Bill Winters and the Management Team have the necessary focus to weather the current headwinds, and reposition the Group for the future

Sir John Peace, *Chairman*

Normalised earnings per share	Dividend per share
-6.6 cents	13.7 cents
2014: 138.9 cents	**2014:** 81.85 cents

2015 was a challenging year. While our 2015 financial results were poor, they are set against a backdrop of continuing geo-political and economic headwinds and volatility across many of our markets as well as the effects of deliberate management actions. Our share price performance has also been disappointing, underperforming the wider equity market which has seen broad declines driven largely by the same macroeconomic concerns.

2015 was also, in many ways, a watershed where we embarked on a clear path under a refreshed Management Team, led by Bill Winters. Our strategy, announced in November 2015, prioritises returns and the allocation of capital and investment to areas in which we have a long-term competitive advantage. We will fund much of this investment through efficiencies found elsewhere. My clear and singular focus, which is shared by the Board and the Management Team, is to deliver these comprehensive actions, which we believe will restore the Group's performance.

The Board is confident in the Group's compelling opportunities and that Bill Winters and the Management Team have the necessary focus to weather the current headwinds, and reposition the business for the future. Our markets remain attractive through the medium and long term, our franchise is hard to replicate and we remain well positioned to support wealth creation in Asia, Africa and the Middle East. We are not looking for a short-term fix, but building methodically on the foundations of a strong balance sheet, growing markets, and a vibrant and ethical organisational culture. A lot of actions have been started in a short time, which Bill will cover in his review of the year. However, we are under no illusions that a lot more needs to be done.

With the support of shareholders, the Group now has a capital ratio in our targeted range. From this strong foundation, the Management Team has taken significant action to reduce costs, and plans to deliver $2.3 billion more savings by the end of 2018. These cost savings are creating capacity for investments to enhance our conduct and compliance systems and processes, and to provide a better experience for our clients. The strategy to reposition the Group is also underway, including action to liquidate assets beyond our tightened risk tolerance while growing businesses that the Board believes offer a compelling opportunity for sustainable long-term performance. We are actively investing to build greater depth in our Retail presence in focus cities, growing the contribution to the Group from Private Banking and Wealth Management as well as from Africa, and remaining at the forefront of the internationalisation of the renminbi.

Board changes

As part of the multi-year Board refresh that started in 2011 – aimed at streamlining the Board while ensuring an optimum mix of tenure, experience, diversity and geographic knowledge – we have announced a number of further changes to our Board. With these changes, the size of the Board has now been reduced to 14 members, as we set out in February 2015. Ruth Markland and Paul Skinner, two of our longest-standing independent non-executive directors, stepped down from the Board on 31 December 2015. Dr Lars Thunell, independent non-executive director and Chair of our Board Risk Committee, has also decided to step down from the Board. As announced in January of this year, Lars will be replaced as the Chair of the Risk Committee by David Conner, who joined the Board as an independent non-executive director on 1 January 2016. On behalf of the Board, I would like to thank Ruth, Paul and Lars for their significant contributions to the Group, and to welcome David to the Board.

Additionally, after 26 years in the bank, Mike Rees has taken the decision to retire from the Group and will step down from the Board and his role as the Deputy Group Chief Executive effective 30 April 2016. Mike has made a major contribution to Standard Chartered over the years, and more recently provided valuable support to the Board and the Management Team in shaping and executing our strategy.

These changes, together with the arrival in April last year of Gay Huey Evans and Jasmine Whitbread, mean that the Board will consist of the Chairman, two executive directors, Bill Winters and Andy Halford, and 11 non-executive directors.

Finally, as I indicated at the start of 2015, it remains my intention to step down from the Board during the course of 2016. Naguib Kheraj, the Group's Senior Independent Director, is leading the search for the next Chairman. Until a successor is appointed, I will focus on supporting the strategic transformation that we have set in motion, and on ensuring that the challenges in the markets do not deter us from making the right decisions for the long-term value of the franchise. The Board and I will provide all possible support to Bill and the Management Team as they continue to execute the strategy.

Dividend

In light of recent performance and the newly announced strategic actions, including the £3.3 billion rights issue completed at the end of last year, the Board confirms its previously announced decision that no final dividend will be paid for the financial year ending 31 December 2015. The total dividend for 2015 will be 13.7 cents per share as declared with the half-year results and paid to shareholders on 19 October 2015, and as adjusted for the rights issue.

The Board recognises the importance of dividends to shareholders, and believes in balancing returns with investment in the franchise to support future growth, while preserving strong capital ratios. The size of any future ordinary dividends will be a function of future earnings and our capital position relative to regulatory and market expectations. Subject to these factors, the Board intends to declare a dividend on Ordinary Shares in respect of the 2016 financial year.

People and pay

For several consecutive years, reflecting recent poor financial performance, the Group has reduced the amounts paid out in incentives to staff. At the end of 2015, a large portion of the Group's senior management left the bank as part of our restructuring. The successful execution of our strategy over the coming years will rely on the dedication and commitment of the remaining staff, who are highly sought after by our competition. It is therefore important that we pay competitively, while maintaining the discipline of only rewarding good performance and good behaviours. The Group's remuneration decisions have been made in light of these factors. Accordingly, the annual incentive payments for 2015 are down by 22 per cent year-on-year, with no payments to the executive directors for 2015. Since 2011, annual incentives have fallen by 41 per cent.

The successful execution of our strategy will allow us to improve shareholder returns significantly from a strengthened capital base. To help drive this outcome, the Group has introduced a new long-term incentive plan for our senior management staff, including the Management Team. We believe it is right that our most senior staff are not rewarded for the performance in 2015, but clearly incentivised to execute our strategy and to create real, sustained shareholder value. The value of the plan will only pay out if the Group has made substantial progress towards our returns and other strategic objectives by 2018. We believe that this will link closely the remuneration of the Group's senior management to the value generated for shareholders. Specific proposals in relation to executive directors will be presented to shareholders for their approval at the Annual General Meeting on 4 May.

Summary

There remains a broad range of macroeconomic uncertainties and challenges in the global economy, including the rebalancing of China's economy, the impact of lower commodity prices, and ongoing geo-political tensions. While we cannot control many of these developments, you should expect us to continue to reduce our sensitivity to adverse trends, while we support our clients and invest in improving the Group's systems, staff resources and processes, in part so that we can be a leading force in the fight against financial crime.

It is in uncertain times such as these that, through generations, the Group has set itself apart by managing for the long term and not being unduly distracted by near-term cycles. In this uncertain environment it is all the more important that we execute on the strategy. We have a clear path to follow, an experienced, high-quality Management Team and Here for good, our brand promise, firmly embedded in our culture. The Board is determined that the Group continues to adapt to the changing external environment and to realise fully the opportunities that are present in and between our markets.

Finally, I would like to thank our clients and shareholders for their continued support and also our staff for their tremendous effort and dedication to Standard Chartered through a challenging period.

Sir John Peace
Chairman

23 February 2016

Group Chief Executive's review

A relentless focus on execution

> We have made substantial strides in securing the Group's foundations, we continue to take action to get leaner and more focused, and we are creating capacity to invest
>
> **Bill Winters,** *Group Chief Executive*

I admired Standard Chartered from the outside for years. I recognised a bank with a differentiated franchise in some of the world's most exciting markets; a bank with outstanding client relationships and bankers who preserve and promote those relationships; a bank with a comprehensive set of products which are directly relevant to the clients it serves. Having now spent almost nine months at the helm, I am delighted to share my view that my perceptions from the outside are fully correct.

It is clear that we have real challenges to fully realise our potential – challenges we created for ourselves and those produced by a difficult external environment. Our Management Team and I have undertaken the root-and-branch review that I promised when I first joined, and sought to address every issue we have identified. With the launch of our strategy in November 2015, I am committed to demonstrating real discipline in execution and, starting from now, will update on our progress at each set of results.

The economic and geo-political backdrop for the Group clearly deteriorated over 2015 and has not improved into 2016. Chinese equity markets have been increasingly volatile, impacting sentiment around the world, and commodity markets have plumbed new lows. This combination of headwinds has had an impact on our performance, in particular in the second half of last year.

However, the weakness in our performance in 2015 is also partly the result of deliberate management actions. We have accelerated the necessary repositioning of our main businesses, tightened risk tolerances, reduced and liquidated risk concentrations, and restructured our organisation, including a significant reduction in staff numbers. The immediate impact of these actions has been reduced income following business disposals and asset reductions, upfront costs to gain future efficiencies, and higher levels of impairment. These actions impacted our profits in 2015, but they were essential to secure the foundations and to reposition us for stronger returns and achieve our ambition of at least 8 per cent return on equity (ROE) by 2018 and 10 per cent by 2020.

The challenging external environment is not an excuse for our performance. We are not unwitting victims. Rather, the external challenges increase our urgent need to take all necessary steps to address the structural and operational issues we have identified as critical to improving returns. During 2015, we stepped up our cost reduction targets, built more capital, reduced risk exposures ahead of many of our competitors, and maintained an acute focus on returns. In this environment, these are the essential priorities that will ensure we stay fit and able to take advantage of attractive opportunities as they become available, and when other banks may be less able to react.

Our strategy, announced in November 2015, will address our performance issues and reposition our business on a strengthened platform. We have made good progress in a number of areas, though there is much work still to do during 2016 and beyond. The strategy's three core priorities are to secure our foundations, get lean and focused and invest and innovate in our franchise.

By executing our aggressive transformation programme, we will position the Group for much improved profitability and create the capacity to continue to invest in our key areas of strength. We are investing into areas such as the role we play in the ongoing opening of China, our differentiated presence in Africa, and our strong position serving the rising affluent populations in our markets.

Securing the foundations

During 2015, and in particular since November 2015, we have built a stronger and more diverse balance sheet. We have organised the Group to be more efficient, assigning clearer accountability for results. Our strong balance sheet and clearer structure will underpin our ability to achieve our goals, in particular at a time when the external conditions are challenging.

- In July 2015, we reorganised the Group around a new and simpler organisation structure, stripping out duplication and inefficiency and shifting greater accountability for performance to business and regional managers. While this simplification substantially reduces our cost base, the primary benefit is our ability to clarify accountability and improve decision-making speed and quality
- The Management Team was completed with the hiring of Mark Smith as the new Group Chief Risk Officer in January 2016, and Simon Cooper who joins to head our Corporate and Institutional Banking business in April 2016. Both Mark and Simon have significant global experience and deep knowledge of our businesses
- With strong shareholder support of our rights issue, we strengthened our financial position, delivering a Common Equity Tier 1 capital ratio of 12.6 per cent, temporarily suppressed by our restructuring initiatives, a liquid asset ratio of 30.9 per cent and a leverage ratio of 5.5 per cent
- We outlined a tightened risk tolerance covering every area of the Group, including operational risk, conduct risk, market risk and credit risk. As a result, we identified a portfolio of around $20 billion of risk-weighted assets (RWAs) that includes a small number of exposures that have, over recent years, made the Group more sensitive to idiosyncratic risks. These positions are being assertively managed out. With

exposures that are more diverse and less concentrated, the remaining portfolio should be less sensitive to adverse economic and credit cycles

- We have made progress on identifying and optimising $50 billion of low-returning relationship RWAs in Corporate and Institutional Banking and Commercial Banking. Early indications suggest that a significant proportion of these relationships can be retained at materially improved returns. We are aiming to complete this exercise within the next 18-24 months
- Finally, we highlighted two markets for specific focus. One is Indonesia where we will continue to explore the best way to achieve a single, properly scaled entity, via the merger of our two entities or through selling one or the other. The second is Korea, where we launched a Special Retirement Plan covering over 1,000 staff exits with annualised savings of over $100 million per annum. We have also started to reshape our branch network through our new association with Shinsegae. Our returns in Korea remain challenging but we are determined to reduce our losses there and return the business to profitability

Collectively, our restructuring actions have cost $1.8 billion so far. We remain confident in the original estimated cost for our planned restructuring of around $3 billion.

There is clearly more work to do to restructure these portfolios and to demonstrate the financial benefit, but we are making good progress and believe these actions will deliver sustainable improvements in returns over time.

Getting lean and focused

In addition to the immediate actions on the Group's foundations, we have also made significant progress in reducing costs and improving efficiency. Our early efforts have resulted in Group operating costs, excluding the UK bank levy and regulatory costs, reducing by 7 per cent year-on-year. As part of our ongoing cost management, we also launched a Group-wide redundancy exercise as part of the planned restructuring, which was largely completed at the end of the year.

We have identified opportunities for future savings, launched our key investment initiatives and accelerated the transformation of each of our client segments. We have aligned key support functions closely with business managers, giving the members of our Management Team the ability to manage their businesses from end to end – improving efficiency and accountability. In 2015, we announced a new organisation structure, including reducing the current eight geographic regions to four and aligning key products with their most appropriate client segment. We also made several client transfers, notably combining Local Corporate Clients with our Commercial Clients. Each of these changes will only be reflected in our disclosures from the 2016 financial year. However, a restatement of prior periods will be provided early in 2016.

Building returns in Corporate and Institutional Banking

The returns we are currently earning from Corporate and Institutional Banking are well below the 10 per cent minimum threshold we have set for each of our businesses. Returns have been impacted by loan impairments, income pressures and high expenses as a proportion of income. We are acting on concrete plans to address each component of the profitability challenge.

Our core Corporate and Institutional Banking business is profitable and will grow in a less severe external environment. Our Corporate and Institutional Banking clients value our services, a fact reinforced by early progress in our RWA optimisation exercise to either reduce RWAs or manage up the returns on a portfolio of approximately $40 billion RWAs. We have differentiated offerings in products that deliver good returns and in markets that will resume strong growth once through the current period of economic consolidation. We win a good proportion of regional cash management and financing mandates across our markets. We are leading the expansion of renminbi services across the world. And we have deep local-currency financial markets knowledge and capabilities.

We have been repositioning our balance sheet so that the underlying strengths of our business become our areas of focus, reducing the distraction of volatile and adverse impairments. Our management and staff are well aware of the required changes and are operating at full speed to reposition our business and improve our returns.

Overhauling Commercial Banking

Our Commercial Banking business is very uneven across our markets with some presences more established than others. Overall performance has been poor with high loan impairments and weak income. To address a prior lack of focus on this client base, we created the Commercial client segment in 2014 with the larger corporate clients coming out of our Retail business and the smallest of our Corporate & Institutional Clients. At the end of 2015, we roughly doubled the size of the segment by adding Local Corporate Clients from Corporate and Institutional Banking. We have established Commercial Banking as a focused division of small and medium-sized corporate clients whose needs are substantially local but who can leverage the Group's strong cross-border capabilities. We are rebuilding a consistent coverage and risk management organisation model to deal with this client base.

We have put a management structure in place for Commercial Banking with experienced regional managers and we are substantially upgrading our credit risk approach. We exited the former small and medium-sized enterprise business in the UAE and will continue to reduce operational risk through the completion of our customer due diligence remediation programme. To improve returns, we will upgrade or exit almost $10 billion of low returning RWAs, close to one-quarter of this client base.

From these secure foundations, we are looking to build the Commercial Banking business of our future. We continue to build out our network proposition, partnering with our Corporate and Institutional Banking business to bank their buyers and suppliers. Finally, the Commercial Banking team, has a renewed focus on expanding the client base with almost 3,000 new customers added across the network in 2015.

Given our starting point, there is no quick solution to achieving sustainably better returns from this segment. However, with a consistent and client-focused approach, we will build a competitive business that leverages the best of Standard Chartered to serve this important client base in our markets.

Transforming Retail Banking

Our Retail Banking transformation is well under way and has continued to make good progress in 2015. We have taken upfront charges of some $400 million to reduce ongoing costs, notably in Korea, and are investing to build a much more robust, efficient and nimble systems infrastructure across the Group. In many of our markets, our brand resonates with the growing affluent and emerging affluent client segments and we will invest to reinforce that brand. This, combined with a plan to deepen our presence in core cities where there is a large and growing affluent client base, is powering the growth of Priority Clients. Excluding transfers of clients into Priority, this client sub-segment grew income by over 10 per cent year-on-year. Priority Clients contributed 35 per cent of Retail Clients income in 2015, up from 27 per cent in 2014.

Our Retail business in core cities, excluding China and Korea, already generates equity returns well in excess of 10 per cent. We aim to replicate this success across the rest of our focus cities via selective investment and disciplined optimisation of branches. Where we cannot see a route to improved returns in an acceptable timeframe, we will scale down or exit our presence in cities and markets.

As mentioned above, we have taken action to manage our expense base in Korea and focus on growth through operational improvements and our cooperation with Shinsegae. Nevertheless, we expect our Korean retail operation to be challenged for some time.

Over the course of 2016, we will implement the first stages of our infrastructure overhaul, driving improved efficiency and service quality. We will substantially improve our digital offerings both at the point of client interface as well as through our operational processes. Taken together, we are confident that delivery against these targets will drive returns and growth to strong levels over the next three years.

Investing in Private Banking and Wealth Management

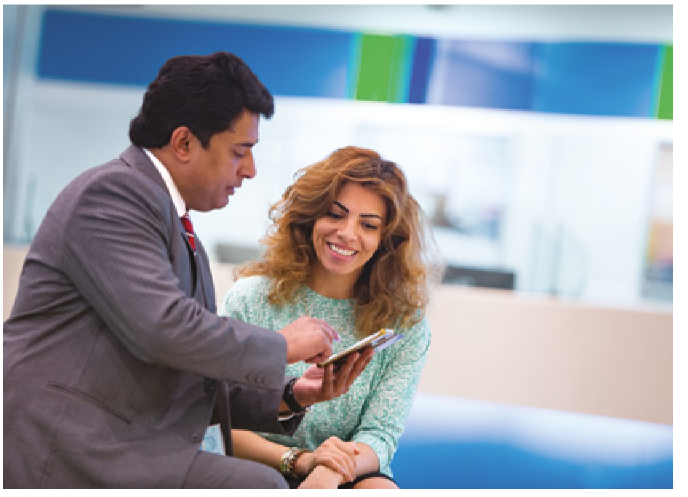
We have an outstanding distribution platform for wealth products delivered through our Retail and Private Banking segments. We will substantially increase our investment in both the Wealth platform and the Private Banking coverage channels in addition to the Retail investments mentioned above. Our primary focus in Wealth Management is to upgrade our infrastructure to improve our digital offering and service quality. We will seek to grow our assets under management sourced through our Private Bank by increasing the number of relationship managers, increasing the number of clients sourced through our corporate relationships and upgrading appropriate Retail Clients.

We have real competitive advantages in these business areas. Our strong Wealth Management platform, local presence, strong brand and advice capabilities position us very well versus local and global competition. The underlying demographic trends make this a particularly natural place for investment.

Our 2015 performance was severely impacted by a concentrated credit loss of $94 million in the first half. We have reviewed, and will continue to strengthen, our credit process to avoid a repeat. Our revised business model will focus less on concentrated lending and more on the distribution of Wealth Management products and advice. As such, we began our investment process in 2015, announcing the addition of a new head of the Private Banking and Wealth Management business, recruiting relationship managers and beginning our technology investment programme.

Establishing best-in-class control and conduct capabilities

Our commitment to improve our conduct and controls is factored into every strategic and operational decision we make. We are on the front line in the fight against financial crime and take this responsibility most seriously. We have invested significant amounts in people and into our underlying conduct



We have invested significant amounts in people and into our underlying conduct and compliance infrastructure

and compliance infrastructure with a total cost in 2015 of over $1 billion, up 40 per cent year-on-year. We continue to cooperate fully with the US authorities and the Financial Conduct Authority in their ongoing investigations. As we stated in November 2015, we remain unable to determine when these investigations will conclude or the size of any potential fines that might result. We will provide further updates in due course.

Summary and outlook

We have a good and valuable franchise, core financial strength, outstanding client relationships, and the right team of people. We have made substantial strides in securing the Group's foundations, we continue to take action to get leaner and more focused, and we are creating capacity to invest.

Given current market conditions and the early stage of implementation of our strategy, we expect the financial performance of the Group to remain subdued during 2016. We will continue to take the necessary and sometimes painful actions to reposition the Group for returns and disciplined growth. We will increase the value of our franchise through the relentless focus on execution that we set out alongside our strategy announced in November 2015. We will continue to balance support for strong, high-returning clients with discipline on our tightened risk tolerances. We will continue to take out substantial costs and invest much of these savings into the future of the Group. We will also retain a strong balance sheet which both protects us from economic volatility and positions us for future opportunity when conditions allow.

Finally, I would like to thank our clients, all the staff at Standard Chartered and you, our shareholders, for your support. The past year has been tough for everyone in the Group and for all of us as shareholders. We are the custodians of a fabulous franchise and, through continued hard work and clear decisions, we intend to achieve our ambition of delivering at least 8 per cent ROE by 2018 and 10 per cent by 2020.

Bill Winters
Group Chief Executive

23 February 2016

Who we are

Standard Chartered is a leading international banking group, with a 150-year history in some of the world's most dynamic markets. We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East.

With our headquarters in London, we have a dual primary listing on the London and Hong Kong Stock Exchanges, and rank among the companies listed in the FTSE 100 by market capitalisation. Our Indian Depositary Receipts are listed on the Bombay and National Stock Exchanges of India.

We are one of only three commercial banks licensed by the Hong Kong Monetary Authority to issue banknotes in Hong Kong, and the seventh-largest US dollar clearer globally, averaging over $200 billion per day. We have also been at the forefront of the internationalisation of the renminbi (RMB). Our deep local knowledge of Asia, combined with our RMB capabilities, has enabled us to identify multiple business and growth opportunities.

Our roots in trade finance and commercial banking have been at the core of our success throughout our history, but our business is now more broadly based and includes Retail Banking in more than 30 of our markets. Our brand promise, Here for good, is embedded in every decision we make, and is the cornerstone of our commitment to our clients, our shareholders and the countries where we operate.

Our organisational structure

In June 2015, Bill Winters was appointed as the new Group Chief Executive. Shortly afterwards, in July 2015, we announced a new Management Team, together with a new organisational structure. The reorganisation of our business was implemented from 1 October 2015, and will be reflected in our 2016 Annual Report and Accounts.

With the new structure, we have simplified and streamlined the business, reducing layers, providing clear accountability and driving efficiencies, while maintaining a sharp focus on the highest standards of risk management, compliance and conduct.

In addition, the reorganisation of our business ensures that local clients are served through a country or regional management structure, with global clients and businesses served on a global basis, and that we deliver our products and capabilities consistently to all our clients.

As a result, we consolidated eight regions into four regional businesses, each led by a Regional Chief Executive Officer (CEO). These Regional CEOs have responsibility for our local clients and businesses, bottom-line profitability and capital, and relationships with local regulators. They also help drive conduct and compliance programmes.

In addition to our four regional businesses, we also have four client businesses, each led by a business CEO. Corporate and Institutional Banking and Private Banking and Wealth Management are managed at a global level. Corporate and Institutional Banking supports clients' cross-border transactional risk management, and investment needs. It comprises two client segments, Financial Institutions and International Corporates, and three products, Corporate Finance, Financial Markets and Transaction Banking. As a global business, Corporate and Institutional Banking operates in each of the Group's regions, using our network to deliver a high-quality client experience. Retail Banking and Commercial Banking are managed on a country basis with regional oversight.

By the end of 2018, as we drive further efficiencies and improve the way we work, we expect to reduce our gross headcount by approximately 15,000, partly through natural attrition. The overall headcount of the Group reduced from 90,940 at the end of 2014 to 84,076 at the end of 2015.

Organisational structure as at 1 January 2016

Andy Halford
Group Chief Financial Officer

Bill Winters
Group Chief Executive

Mike Rees[1]
Deputy Group Chief Executive

Client Businesses

- **Mark Dowie[2]** – Corporate and Institutional Banking
- **Karen Fawcett** – Retail Banking
- **Anna Marrs** – Commercial Banking
- **Anna Marrs** – Private Banking and Wealth Management

Regional Businesses

- **Ben Hung** – Greater China & North Asia
- **Ajay Kanwal** – ASEAN & South Asia
- **Sunil Kaushal** – Africa & Middle East
- **Tracy Clarke[3]** – Europe & Americas

Global Functions

- **Andy Halford** – Group CFO
- **Dr Michael Gorriz** – Information Technology and Operations
- **David Fein** – Legal
- **Doris Honold** – Group COO
- **Tracy Clarke[3]** – Compliance
- **Tracy Clarke[3]** – Human Resources
- **Pam Walkden[3]** – Risk

1. We have announced that Mike Rees will be retiring from the Group in April 2016
2. Simon Cooper will be joining as the new CEO, Corporate and Institutional Banking in April 2016
3. Pam Walkden has been announced as Group Head, HR and will formally take up the role in April 2016 leaving Tracy Clarke to concentrate on Compliance and her role as Regional CEO. Mark Smith joined the Group in January as the new Group Chief Risk Officer

For current Management Team biographies see pages 10 to 12

Our new Management Team

Our new Management Team, consisting of 15 members, has responsibility for executing the strategy agreed by the Board. It currently comprises three Group executive directors, including the Group Chief Executive Officer and Group Chief Financial Officer; four Regional CEOs; client business CEOs; and our global function heads.

We have recently made a number of senior appointments to the Management Team. Mark Smith joined us at the end of January 2016 from HSBC as the new Group Chief Risk Officer, and Simon Cooper will be joining as the new CEO, Corporate and Institutional Banking in April 2016. With Michael Gorriz having been appointed last year as Chief Information Officer, this senior group with diverse expertise shows our commitment to evolve and transform as our environment changes. Pam Walkden, who has held the position of interim Group Chief Risk Officer, has since been appointed as Group Head, HR and will formally take up her new role in April 2016.

We have also announced that after 26 years, Mike Rees has decided to retire from the Group. Mike will step down from the Board and his role as Deputy Group Chief Executive on 30 April 2016.

Bill Winters, CBE (54)
Group Chief Executive

Appointed: June 2015

Experience: Bill is a career banker with significant frontline global banking experience and a proven track record of leadership and financial success. He has extensive experience of working in emerging markets and a proven record in spotting and nurturing talent. Bill began his career with JP Morgan, where he went on to become one of its top five most senior executives and later co-chief executive officer at the investment bank from 2004 until he stepped down in 2009. Bill was invited to be a committee member of the Independent Commission on Banking, established in 2010 to recommend ways to improve competition and financial stability in banking. Subsequently, he served as advisor to the Parliamentary Commission on Banking Standards and was asked by the Court of the Bank of England to complete an independent review of the bank's liquidity operations. Bill founded Renshaw Bay, an alternative asset management firm, in 2011 where he was chairman and CEO before stepping down on appointment to the Standard Chartered PLC Board. Bill was previously a non-executive director of Pension Insurance Corporation plc and RIT Capital Partners plc. He is an independent non-executive director of Novartis International AG.

Mike Rees (60)
Deputy Group Chief Executive

Appointed: August 2009, becoming Deputy Group Chief Executive in April 2014

Experience: Mike has extensive and wide-ranging international banking experience. He held several roles in finance at JP Morgan before joining Standard Chartered in 1990 as the Chief Financial Officer for Global Treasury, becoming the Regional Treasurer in Singapore, responsible for the South East Asia Treasury businesses. Mike was later appointed Group Head of Global Markets and Chief Executive, Wholesale Banking, responsible for all commercial banking products in addition to his responsibilities for global markets products. Mike was appointed Deputy Group Chief Executive in 2014. He has vast knowledge of the Group, our clients and our markets and provided valuable support to the Board and the Management Team in shaping and executing our new strategy. From October 2015, he also assumed responsibility for the Group's Brand and Marketing. Mike is a member of the International Advisory Board of Mauritius and the Mayor of Rome's business advisory council.

Andy Halford (56)
Group Chief Financial Officer

Appointed: July 2014

Experience: Andy has a strong finance background and deep experience of managing complex international businesses across dynamic and changing markets. Andy was finance director at East Midlands Electricity plc prior to joining Vodafone in 1999 as financial director for Vodafone Limited, the UK operating company. Andy was later appointed financial director for Vodafone's Northern Europe, Middle East and Africa region, and later the chief financial officer of Verizon Wireless in the US. He was a member of the board of representatives of the Verizon Wireless Partnership. Andy was appointed chief financial officer of Vodafone Group plc in 2005, a position he held for nine years. As Group Chief Financial Officer at Standard Chartered, Andy is responsible for Finance, Corporate Treasury, Group Corporate Development, Group Investor Relations, Property and Global Sourcing functions. Andy is a non-executive director at Marks and Spencer Group plc and a member of the Business Forum on Tax and Competitiveness.

Tracy Clarke (49)
Group Compliance and Human Resources (HR) and Regional CEO, Europe & Americas

Appointed: Group HR, March 2006; Group Legal and Compliance, April 2013; and CEO, Europe & Americas, October 2015

Experience: Tracy joined Standard Chartered in 1985 and has held a number of roles in branch banking operations, Client Coverage and Group functions, both in the UK and in Hong Kong. More recently, Tracy has played an instrumental role in driving our compliance and conduct agenda and led a broad portfolio including Legal and Compliance (and the Financial Crime Risk Mitigation Programme), Human Resources, Corporate Affairs and Brand and Marketing.

Tracy was appointed as a Director of Standard Chartered Bank in January 2013. From 1 October 2015, she became Regional CEO Europe & Americas in addition to her responsibilities for Compliance and HR.

She is an independent non-executive director for British Sky Broadcasting Group plc.

From April 2016, Pam Walkden will become Group Head, HR and Tracy Clarke will concentrate on her Europe & Americas Regional CEO role and ongoing Compliance responsibilities.

Ben Hung (51)
Regional CEO, Greater China & North Asia

Appointed: October 2015

Experience: Ben Hung was appointed Regional CEO, Greater China & North Asia, on 1 October 2015. Prior to this he was CEO for the Greater China Region.

Ben joined Standard Chartered in 1992 and has held a number of senior management positions spanning corporate, commercial and retail banking.

During 2008 to 2014, he was the CEO of Standard Chartered Bank (Hong Kong) Limited. He is a member of the Financial Services Development Council, sits on the Exchange Fund Advisory Committee and is a member of the General Committee of the Hong Kong General Chamber of Commerce.

Ajay Kanwal (49)
Regional CEO, ASEAN & South Asia

Appointed: October 2015

Experience: Ajay Kanwal was appointed Regional CEO, ASEAN & South Asia on 1 October 2015.

Ajay is a career banker who joined Standard Chartered in 1992 from Citibank in India. He moved to this role from Korea where he managed Korea, Taiwan and Mongolia as Regional CEO.

Ajay has extensive experience in Asia having lived and worked in all geographic regions in Asia with CEO Taiwan and Regional Head Consumer Banking South East Asia being his prior roles. Ajay has strong expertise in retail banking, including SME. He also helped set up and grow our successful Private Bank franchise in Singapore.

Sunil Kaushal (50)
Regional CEO, Africa & Middle East

Appointed: October 2015

Experience: Sunil Kaushal was appointed Regional CEO, Africa & Middle East on 1 October 2015. Prior to this role, Sunil was Regional CEO, South Asia.

Sunil has 27 years of banking experience in diverse markets and has been with the Bank for approximately 17 years, holding senior roles across the Wholesale and Consumer Bank. Sunil has rich experience across the Group's footprint, having served as the Head of Corporate Banking in UAE, Head of Originations and Client Coverage in Singapore, Global Head Small and Medium Enterprises (SME) and New Ventures in Singapore and Chief Executive Officer of SCB (Taiwan) Ltd. Before joining Standard Chartered in 1998, Sunil held various banking positions at a number of leading international financial institutions.

Mark Dowie (54)
Interim CEO, Corporate and Institutional Banking

Appointed: October 2015

Experience: Mark Dowie was appointed as interim CEO, Corporate and Institutional Banking on 1 October 2015 and since then has led a comprehensive strategic-change programme for the business. He moved to the Corporate and Institutional Banking role after four years of leading the Corporate Finance division, overseeing successful growth in this business, and also took on interim leadership of the Financial Markets division for ten months spanning 2014 and 2015.

Mark has extensive corporate experience in senior roles in the banking and finance industry. Prior to joining the Group, he was at UBS as vice chairman, Investment Banking (London) and joint head of Investment Banking Asia covering equity and debt financing as well as M&A. He was previously managing director, Investment Banking at both Jardine Fleming and Baring Brothers. Mark is a former naval officer and Justice of the Peace.

Karen Fawcett (53)
CEO, Retail Banking

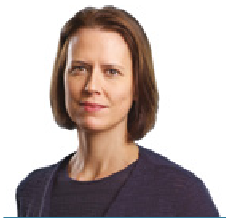
Appointed: October 2015

Experience: Karen Fawcett was appointed CEO, Retail Banking on 1 October 2015. Karen is responsible for directing the global strategy and transformation of the Retail Banking business.

Karen joined the Group 14 years ago as Group Head of Business Strategy. Prior to that she was a partner in financial services at Booz Allen & Hamilton, where she drove multi-year change programmes for leading banks across Asia.

Karen transformed Transaction Banking from 2005 until 2014 and represented the Group externally in transaction banking regulatory and industry thought leadership. She was also a non-executive director of Standard Chartered Bank Malaysia Bhd for eight years, until October 2013.

She is on the board of directors of INSEAD business school.



Anna Marrs (42)
CEO, Commercial & Private Banking

Appointed: October 2015

Experience: Anna Marrs was appointed CEO, Commercial & Private Banking on 1 October 2015 and is leading on the restructure of an expanded Commercial Clients business and the build out of the Private Bank.

Anna joined Standard Chartered as Group Head of Strategy and Corporate Development in January 2012. Prior to this she was a partner at McKinsey & Company's Banking Practice in its Global Banking Practice and is a recognised expert in banking strategy.

Prior to McKinsey she ran a financial information and technology company, having started her career with a hedge fund in New York.

David Fein (55)
Group General Counsel

Appointed: September 2013

Experience: David Fein is Group General Counsel, advising the Board and the Court of the Bank on all material legal matters and overseeing Standard Chartered's Legal function and Group Corporate Secretariat.

Before joining the Group, David held various senior roles in the United States Government, including as United States Attorney for the District of Connecticut and as Associate Counsel to the President. He has extensive experience fighting financial crime and a track record of forming and supporting public-private partnerships.

David also serves as Chairman of Seeing is Believing, the Group's flagship philanthropic effort dedicated to eliminating avoidable blindness.

Dr Michael Gorriz (55)
Group Chief Information Officer

Appointed: July 2015

Experience: Dr Michael Gorriz was appointed Group Chief Information Officer when he joined Standard Chartered in July 2015.

As an industry-award winner, Michael joined from Daimler AG where he was most recently vice president and CIO with responsibility for the smooth operation of all Daimler systems and the management of IT projects globally. For the past 14 years, he has held various CIO roles within the Daimler group and has spent many years working across our footprint.

Doris Honold (49)
Group Chief Operating Officer

Appointed: October 2015

Experience: Doris is the Group Chief Operating Officer for Standard Chartered supporting the Group Chief Executive in defining and executing the business strategy, reinforcing exemplary control and governance, ensuring strategic functional alignment and enabling efficient business growth.

She joined the Group in March 2007, and has served as the Group Head of Market Risk and the Chief Operating Officer for Wholesale Banking.

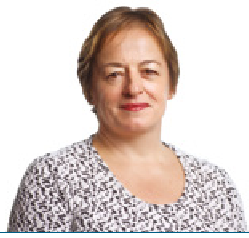
Doris started her career at Dresdner Bank in Frankfurt. She held several market risk leadership roles in Frankfurt, Tokyo and London, before taking over global responsibility for Dresdner Kleinwort's market risk function.

Mark Smith (54)
Group Chief Risk Officer

Appointed: January 2016

Experience: Mark was appointed as Group Chief Risk Officer in January 2016 and is responsible for managing Credit, Market, and Operational Risk across the Group and ensuring the broader risk framework is effective.

Before joining Standard Chartered, Mark was the chief risk officer Europe, Middle East and Africa and global head, Wholesale Credit and Traded Risk for HSBC. He has had a long and successful career at HSBC, having joined Midland Bank as a graduate trainee prior to its acquisition by HSBC. Other roles at HSBC included chief operating officer, Global Corporate and Institutional Banking, and he has worked in London and Hong Kong.



Pam Walkden (55)
Interim Group Chief Risk Officer

Appointed: July 2015

Experience: Pam Walkden was appointed as interim Group Chief Risk Officer in 2015.

Pam joined the Bank in 1991 and has held a number of key roles across the organisation including Group Head of Corporate Affairs, Group Head of Internal Audit and Group Head of ALM.

In July 2009, Pam moved to become Group Treasurer where she was responsible for the management of the Group's balance sheet. In 2014, she became Group Business Head, Regions working closely with the Global Business Heads and Regional CEOs.

Between July 2015 and January 2016, Pam Walkden held the position of interim Group Chief Risk Officer. She has since been appointed as Group Head, HR and will formally take up her new role in April 2016.

Our strategy and business model

Our presence

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

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

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

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

Our aspirations

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

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

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

Our core objectives

Our new strategy has three core objectives: to secure the foundations, get lean and focused, and invest and innovate. With our extensive review complete, we are now focused on executing this strategy and improving returns as outlined in the Group Chief Executive's review on page 6.

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

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

A shift in our mix

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

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

What we are doing

In order to deliver our new strategy and meet the three core objectives, we have developed a comprehensive programme of actions (see diagram below). Since November 2015, we have already made progress against many aspects of the strategy, as outlined in the Group Chief Executive's review on page 6.

Comprehensive programme of actions in pursuit of three core objectives

1 Secure the foundations

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

2 Get lean and focused

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

3 Invest and innovate

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

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

We will continue to invest and innovate to ensure the Group is able to take advantage of the opportunities as our markets evolve. Our investment in our client businesses is outlined in the Group Chief Executive's review.

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

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

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

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

Our culture

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

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

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

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

Banking on the rise of the renminbi

The rise of renminbi (RMB) is rapidly transforming the global financial landscape. The launch of the Cross-Border Interbank Payment System (CIPS) and the inclusion of the RMB in the International Monetary Fund's Special Drawing Rights basket of currencies are the latest major landmarks on the RMB's path to internationalisation.

CIPS, which provides financial institutions with a platform for clearing international RMB payments, makes cross-border transactions into and out of China much more efficient. It connects China with offshore RMB centres in the Asia, Oceania, Europe and Africa time zones, and presents exciting long-term opportunities for our clients as they seek to grow their RMB business.

We were one of the first international banks qualified under the first phase of CIPS. On the first day of the launch of the platform, we completed over 200 RMB cross-border transactions for global clients based in Asia, Oceania and Europe. We have processed more than 9,000 cross-border payment transactions via CIPS in 2015. The first to be processed on the system was a direct clearing from China to Luxembourg for IKEA, the Swedish home furnishing retailer. China is one of IKEA's fastest-growing markets, and direct cross-border RMB clearing enables a simpler payment route and enhances liquidity management for the retailer.

The liberalisation of China will continue to encourage international use of RMB for trade or investment, and CIPS provides the infrastructure essential to support the growth of the RMB cross-border payment traffic. Leveraging our global footprint and clearing network, local cash management expertise and the strength of our franchise in China, we are at the forefront of capturing the opportunities that will arise from this trend.

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

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

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

How we measure performance

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

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

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

The KPIs on page 18 are a summary of the measures we used to track progress against our strategy for the majority of 2015. In our 2016 Annual Report and Accounts we will update this summary to reflect the new strategy we announced in November 2015.

Building an African powerhouse

Backed by a large workforce and a growing, connected urban middle class, there are huge opportunities across African economies – in particular in sectors such as agriculture, fast-moving consumer goods and infrastructure.

To realise these opportunities, it is advised any measures that can be taken to reduce the volatility of growth – and in particular the volatility of employment – are put in place, as well as more investment, and more consistency of capital inflows, especially counter-cyclical flows.

We leverage on our sovereign finance expertise to advise African governments on their financing requirements and capabilities, and engage with the international investor community to raise funds in the appropriate currency.

We have recently been mandated Joint Lead Arranger and Bookrunner for the Republic of Ghana's $1 billion sovereign bond issue to refinance short-dated, high-interest domestic debt in line with its debt management strategy. This transaction represents the first bond issue guaranteed by the World Bank since 2001, and is a clear demonstration of the strong, broad-based multilateral support available to Ghana.

An increasing number of African economies are accessing development capital via sovereign bonds: in the past three years alone, 12 Sub-Saharan African governments accessed the eurobond market and raised over $17 billion. Aside from Ghana, we have also supported the successful issue of sovereign bonds in Senegal, Gabon and Zambia.

As these economies transition into middle-income status, sovereign bonds help them consolidate and build upon their international capital market experience through innovative structures. This will support them in deepening their capital market and realising their investment potential, and will ultimately drive economic growth and prosperity for the local population.

We also continue to help bolster investment in power generation across Sub-Saharan Africa through our Power Africa commitment. We provide advisory, financing, debt structuring services and policy framework development. Our efforts from 2013 to 2015 are expected to culminate in over 3.4 gigawatts of generation capacity in Africa.

How we create value

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

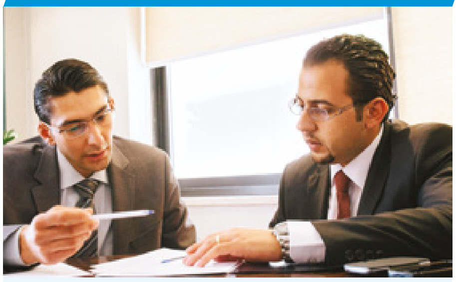
We have a sustainable approach to our business, which is reflected in our brand promise, Here for good

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

We add value for our clients by using our distinctive strengths

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

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



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

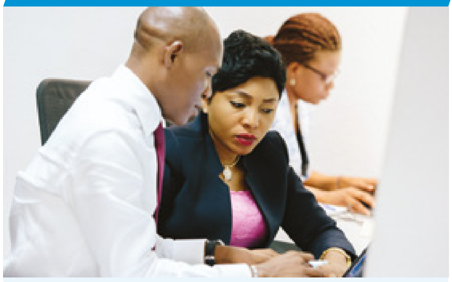
Our business activity is founded on a robust Risk Management Framework

- We manage our risks to build a sustainable franchise, in the interests of all our stakeholders
- We only take risk within our risk tolerances and risk appetite, and where consistent with our approved strategy
- We manage our risk profile so as to maintain a low probability of an unexpected loss event that would materially undermine the confidence of our investors
- We seek to anticipate material future risks, learn lessons from events that have produced adverse outcomes and ensure awareness of known risks

We provide solutions that meet our clients' evolving needs

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

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



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

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

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

Additional information on our approach to stakeholder engagement is available at sc.com/SustainabilityStakeholders

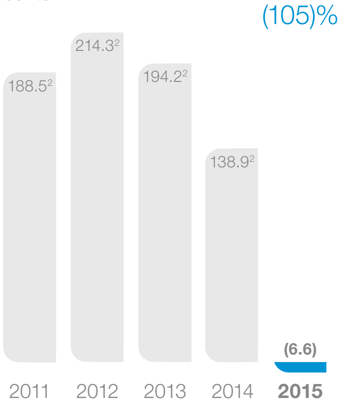
We execute our business to the highest standards of conduct

- We uphold the Group's brand promise, Here for good, and our Code of Conduct, through the way we conduct our business
- Good conduct is the creation and execution of an appropriate business strategy aligned to our stated risk tolerances
- We are guided by both the letter and the spirit of laws and regulations
- Our success in living up to the highest standards of conduct is measured by our ability to achieve fair outcomes for clients, investors, our reputation and the markets in which we operate

Key performance indicators

1 Deliver sustainable improvements in returns over time

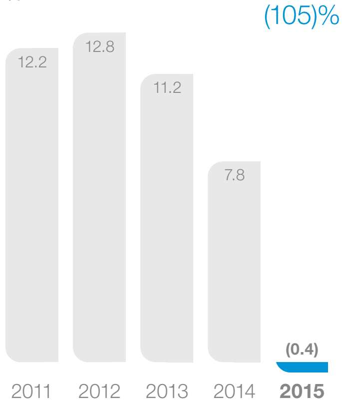
Normalised earnings per share[1]
cents



Aim
To deliver earnings per share (EPS) growth.

Analysis
EPS declined sharply compared to 2014, reflecting a challenging market environment and actions taken to reposition the Group and drive sustainably better returns over time.

Normalised return on equity[3]
%



Aim
To deliver return on equity of over 10 per cent in the medium term.

Analysis
Returns declined sharply compared to 2014, reflecting a challenging market environment and actions taken to reposition the Group and drive sustainably better returns over time.

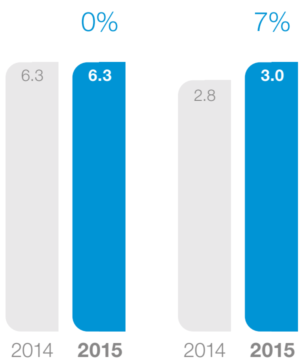
2 Build trusted relationships with clients

Retail Clients' Net Promoter Score (NPS) relative to market average[4]

Aim
To increase customer satisfaction with our products and services and to become the bank that clients recommend.

Analysis
We maintained our relative global NPS at four points above the market average.

Corporate & Institutional Clients' depth of client relationships[5]
Average products per client
Average markets per client

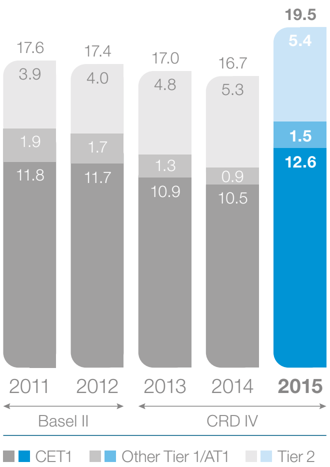


Aim
To use our network and product capabilities to increase the number of markets and products per client.

Analysis
The average number of products and average number of markets per client were stable.

3 Maintain a strong capital position to support the execution of our strategy

Capital ratios[6]
%



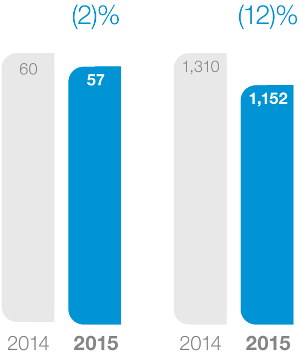
Aim
To maintain a strong capital base and accrete capital to a Common Equity Tier 1 (CET1) ratio of between 11 and 12 per cent in 2015 and thereafter. In November 2015, in recognition of the changing external environment, we increased this target range to between 12 and 13 per cent.

Analysis
Including shareholder support of our rights issue, we strengthened our financial position, increasing our CET1 ratio to 12.6 per cent.

The key performance indicators (KPIs) below are aligned to the Group's strategy for the majority of 2015. KPIs for our new strategy, announced 3 November 2015, will be reflected in the 2016 Annual Report and Accounts. Details on how we will track progress in implementing our new strategy can be found on page 15.

4 Be recognised as a leader in growing and protecting our clients' wealth

Private Banking Clients[7]

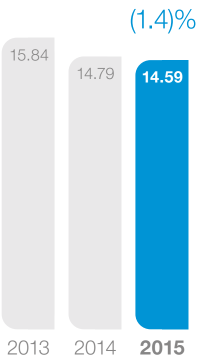


Aim
To grow and deepen client relationships and add new clients.

Analysis
We added 1,152 new clients compared to 1,310 in 2014. Our assets under management (AUM) decreased by 2 per cent.

5 Protect the environment, contributing to sustainable economic and social development

Total Scope 1, 2 and 3 Greenhouse Gas emissions/$million operating income[8]
Tonnes CO_2 equivalent/$million operating income



Aim
To reduce Greenhouse Gas emissions arising from our operations.

Analysis
We continued to reduce our Greenhouse Gas emissions relative to operating income. Starting in 2014, we include Scope 3 emissions arising from air travel in this measure.

1. Normalised earnings per share
This KPI is calculated as profit attributable to ordinary shareholders of the Group as normalised for certain one-off or irregular items – as defined in the Glossary – divided by the weighted average of the shares in issue during the year
Source: *this measure is reported in note 14 of the Group's audited financial statements*

2. Prior years earnings per share amounts and interim and final dividend per share amounts declared and paid prior to the rights issue in November 2015 (including 2015 interim dividend per share) have been restated as explained in note 44 of the financial statements

3. Normalised return on shareholders' equity
This KPI is calculated as the normalised profit attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity
Source: *this measure is derived from information within the Group's audited financial statements, being normalised earnings (note 14) as a percentage of average shareholders' equity (excluding preference shares)*

4. Retail Clients: relative Net Promoter Score (NPS)
'Net Promoter Score' and 'NPS' are trademarks of Satmetrix Systems Inc., Bain & Company, and Fred Reichheld. Standard Chartered uses Bain methodology recalibrated for financial services to calculate NPS. In 2014, we began to move to a new methodology, progressively changing our sampling periods and method to create greater transparency, and benchmarking our NPS against the overall market. NPS gauges client support for the retail banking products and services we provide. We ask our clients, "How likely are you to recommend Standard Chartered to a friend or colleague?" and apply a 10-point scale where 10 is most likely. We then derive the NPS by subtracting the percentage of detractors (those who score zero to six) from the percentage of promoters (those who score nine to 10). NPS operates on a scale from –100 (all detractors) to +100 (all promoters)
Source: *Market Probe & RFI Customer Satisfaction Survey (20 markets on average each year). The survey uses interviews completed in 2015*

5. Corporate & Institutional Clients' depth of relationships
Average number of markets and products per client
Source: *Standard Chartered data*

6. Capital ratios
The components of the Group's capital are summarised on page 219.
The Tier ratios are measured by the ratio of respective capital to risk-weighted assets; the 2010-2012 ratios are calculated on a Basel II basis, and the 2013-2015 ratios on a CRD IV basis
Source: *this measure is reported in the Capital section on pages 218 to 225*

7. Private Banking Clients
Represents total AUM for Private Banking Clients, and the gross number of clients added to the segment during the year
Source: *Standard Chartered data*

8. Total Scope 1, 2 and 3 Greenhouse Gas emissions
The emissions within our reporting inventory correspond to a reporting period of 1 October 2014 to 30 September 2015 to allow sufficient time for independent assurance to be gained. Accordingly, the operating income used in this inventory corresponds to the same period rather than calendar year used in financial reporting, consistent with international carbon reporting practice. Additional information on our environmental impact is available on page 148.
Source: *Standard Chartered data*

My Voice employee survey gap score: during 2015, the Group undertook a significant reorganisation. As a result, we decided to defer the next scheduled survey until 2016. This key performance indicator will be reinstated in the 2016 Annual Report and Accounts.

People

Engaging our people through a period of change

Our highlights in 2015

- Created a simplified organisational structure, with clearer accountability
- Continued to reinforce the importance of good conduct through training and performance assessments
- Equipped our leaders and line managers to guide our people through periods of change
- Recognised for promoting disability in the workplace, building on our strength in diversity and inclusion

2015 was a challenging year for the Group and our people; a decline in performance was coupled with a period of significant change, including the appointment of a new Group Chief Executive and Management Team, the reorganisation of the Group's business[1] and the adoption of a new strategy announced in November 2015.

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

At the end of 2015, we had a total workforce of 84,076 employees across 67 markets, representing 135 nationalities. This represents a decrease of 8 per cent compared to 90,940 employees at the end of 2014. While we continued to invest in attracting talent and reinforcing our compliance and control capabilities, the decrease in employees overall is largely a result of actions taken to deliver business and operational efficiencies.

Building employee engagement through change

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

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

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

We will conduct the next My Voice survey in the first half of 2016, allowing for action plans and subsequent engagement activities to take place within the correct team structures. This will also provide a more accurate benchmark for future surveys, which is important in our measurement of progress towards further embedding and strengthening a culture of good conduct.

Embedding a culture of good conduct

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

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

A core pillar of good conduct is combating financial crime. As part of our overall conduct agenda, we launched an internal awareness campaign in the fourth quarter of 2015. The objective of the campaign has been to help our people understand better the far-reaching societal impacts of financial crime, and to highlight the role each employee can play in helping

Our brand promise Here for good is a key reason why many of our people chose to join the Group, as well as why they stay

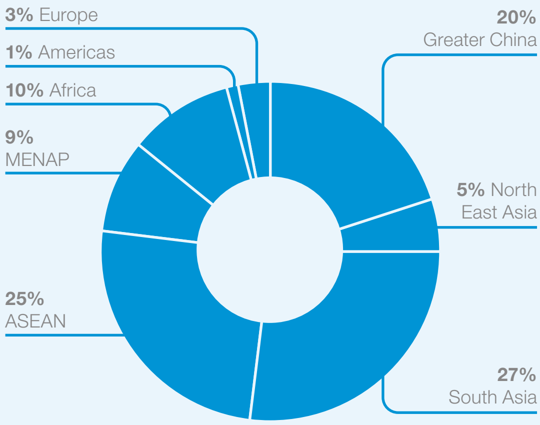
1. The reorganisation of our business was implemented from 1 October 2015, and will be reflected in our 2016 Annual Report and Accounts

Global headcount and gender

Female representation
(as at 31 December 2015)

Female executive and non-executive directors[1]	Female senior management[2]	Global female headcount
23%	12%	47%

Location of employees by region (left) and female representation by region (right)



	Female	Male
Greater China	64%	36%
North East Asia	57%	43%
South Asia	30%	70%
ASEAN	54%	46%
MENAP	30%	70%
Africa	50%	50%
Americas	44%	56%
Europe	44%	56%

1. As at 31 December 2015, the Board comprised 23 per cent women. As at 23 February 2016, the Board comprised 20 per cent women
2. Director, bands 1 and 2

to prevent it. The campaign will be rolled out progressively during the first quarter of 2016 across all markets in our footprint.

Investing in learning and development

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

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

Globally in 2015, we trained 1,504 leaders and senior managers through 72 leadership programmes

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

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

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

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

Diversity and inclusion

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

By the end of 2015, 98.5 per cent of employees had committed or recommitted to our Group Code of Conduct

We established three Global Employee Networks during 2015, which provide support to employees in over 30 countries

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

- Implemented D&I Charters, which empower each of our businesses, functions and geographies, to be accountable for delivering relevant D&I objectives
- Established three Global Employee Networks to provide structure support to employees in more than 30 countries, specifically:
  - The Global Women's Network in March
  - The Global LGBT and Allies Network in May. Employees in more than 20 countries have now signed up to the Group's Global LGBT Allies Programme
  - The Global Disability Network in December. This was recognised by Springboard Consulting, a leading expert in bringing workplace disability into the mainstream. We were awarded two Disability Matters Awards: one for raising awareness about the International Day of Persons with Disabilities and another for our work in supporting line managers who have team members with disabilities

In 2015, Standard Chartered became a founding patron of the Global Diversity List, which aims to create the definitive global diversity standard that covers every aspect of diversity worldwide. In addition, we became a founding member of the Open for Business coalition, which aims to reinforce comprehensive evidence for lesbian, gay, bisexual and transgender (LGBT) inclusion on a global basis.

For more information on our gender diversity in leadership and on the Board, please refer to page 343.

Health, safety and wellness

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

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

Our priorities in 2016

- Embedding our new organisational structure
- Supporting our people through change and building engagement
- Reinforcing a culture of performance and good conduct, from hiring processes and training and development, to recognising successes and performance management
- Addressing feedback from our My Voice survey

Community engagement

To create long-term value, we seek to address social and economic issues that affect the communities where we work and live. In 2015, we invested $60.3 million, or the equivalent of 1.42 per cent of our 2014 operating profit, across our communities. We work closely with local non-governmental organisations (NGOs) and our employee volunteers to deliver programmes focused on health and education.

Employee volunteering

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

Community programmes

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

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

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

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

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

The goal of employment

Across our markets, many girls and women lack access to employment opportunities, affecting the economy and society.

In 2015 in New Delhi, India, we piloted an employability programme with the top 110 graduates of Goal, our global education programme for adolescent girls and young women. The employability programme involved training on CV preparation, career planning and workplace communications. Our clients offered exposure visits and work experience to the participants, and our staff helped by identifying job opportunities and mentoring the girls.

As a result of the pilot, 34 girls secured paid jobs and 29 decided to pursue additional education and make career plans. Through these successes, and feedback from girls, we have learned valuable lessons to help us refine our approach. For example, girls need more opportunities to learn about the career paths available to them; many were not aware of their options, or their aspirations did not match entry-level roles available.

A graduate of Goal, Jyoti Kumari, secured a job as a Human Resources Associate with Precision Testing Machines Private Limited through the employability pilot. Before joining Goal, Jyoti worked in telephone sales. She was on low wages, and lacked the skills and guidance to progress. By participating in the pilot, she improved her English language skills and decided to pursue a Master's degree in management. This will widen her future career opportunities.

Risk management

Our risk tolerance is aligned with our new strategy

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

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

This section provides a high-level overview of our risk profile, Risk Management Framework, Risk Tolerance Statement and principal uncertainties.

Further details are set out in the Risk and capital review section on pages 156 to 225

Risk profile

Highly diversified and short tenor portfolio

- Our balance sheet remains resilient and well diversified across a wide range of geographies, client segments, industries and products which serves to mitigate risk
- Other than financing, insurance and non-banking, no single industry's concentration represents more than 14 per cent of loans and advances to customers in the Corporate & Institutional Clients and Commercial Clients segments. Financing, insurance and non-banking industry is 21 per cent and mostly to investment grade institutions for liquidity management purposes. The loan portfolio remains predominantly short dated, with 67 per cent of loans and advances to customers in the Corporate & Institutional Clients and Commercial Clients segments maturing in under one year
- Our top 20 corporate exposures have reduced as a percentage of Tier 1 capital, and continue to be highly diversified, with each, on average, spread across seven markets and five industries
- Over 46 per cent of the corporate portfolio is investment grade and this mix is improving
- We hold a diverse mix of collateral, valued conservatively. Over half of our sub-investment grade corporate portfolio is collateralised. 60 per cent of long-term sub investment grade is collateralised
- More than 40 per cent of customer loans and advances are in Retail Products; the unsecured portion of the portfolio is down from 19 per cent to 15 per cent in 2015, in part reflecting the effects of risk mitigating actions on the unsecured book. The overall loan-to-value ratio on our mortgage portfolio is less than 50 per cent
- We have low exposure to asset classes outside our core markets

Strong capital and liquidity position

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

Robust risk governance structure and experienced senior team

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

Risk Management Framework

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

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

Roles and responsibilities

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

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

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

Risk tolerance and strategic alignment

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

Our approach to managing each risk type is set out in the Risk management approach section on pages 204 to 217 and Capital management and governance on page 225. Our risk profile disclosures are set out on pages 161 to 199

Risk type	How this arises from our business	Risk Tolerance Statement
Credit Potential for loss due to failure of counterparty to meet its obligations to pay the Group in accordance with agreed terms	Arises principally from lending, or from other financial commitments from clients or third parties. Lending and helping clients manage their financial risks is core to our banking services	The Group manages its credit and country cross-border exposures following the principle of diversification across products, geographies, client segments and industry sectors
Country cross-border Potential for loss due to the inability to obtain payment from clients or third parties on their contractual obligations, as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency	Arises from activities involving lending or transactions across borders or in a currency other than the currency in which the transaction is booked. Providing funds across borders and currencies facilitates trade and cross-border investment and is a core part of our service	
Market Potential for loss of earnings or economic value due to adverse changes in financial market rates or prices	Arises predominantly from providing clients access to financial markets, facilitation of which entails taking moderate market risk positions. Also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high-quality liquid debt securities, and from the translation of non-dollar denominated assets, liabilities and earnings	The Group should control its trading portfolio and activities to ensure that market risk losses (financial or reputational) do not cause material damage to the Group's franchise
Liquidity Potential that the Group does not have sufficient financial resources in the short term to meet its obligations as they fall due, or can access these financial resources only at excessive cost	We balance the needs of depositors who require ready access to their cash and savings, while providing longer-term loans to clients who need the financial stability to invest in longer-term projects such as housing or infrastructure	The Group should be able to meet its payment and collateral obligations under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support

Risk type	How this arises from our business	Risk Tolerance Statement
Operational Potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks	Operational risks are inherent in all our activities and our business. While these risks are actively managed, they cannot be entirely avoided	The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise
Reputational Potential for damage to the Group's franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Group or its actions	Our reputation is a function of how we are perceived by our stakeholders, including clients, investors, regulators, employees and the societies in which we operate. Reputational risk may also arise from a failure to comply with environmental and social standards in our relationship with clients and in our financing decisions	The Group will protect its reputation to ensure that there is no material damage to the Group's franchise
Pension Potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes	Arises from defined benefit pension schemes provided to the Group's employees in some markets. This is principally a legacy of pension commitments made to employees in previous years	The Group will manage its pension plans such that: • There is no material unexpected deterioration in their funding requirements or other financial metrics • Members' benefits will continue in their current form although management actions such as a removal of discretionary benefits are allowable in the case of a market stress event
Capital Potential for actual or opportunity loss from sub-optimal allocation of capital or increase in cost of capital	We are committed to growth underpinned by the diversity of our business across clients and customers, products and geographies	Under stressed conditions, of a severity experienced on average once in 25 years, the Group's prudential capital ratios on a transitional basis should exceed minimum regulatory capital requirements (being the level at which the Group can operate without additional regulatory restrictions on its activities), without recourse to external sources
Strategic Potential for opportunity loss from failure to optimise the earnings potential of the Group's franchise	This arises from a failure to react appropriately to external triggers, such as economic, client, competition, technology or regulatory trends. Strategic risk can also arise from internal decisions that we make, such as entering new businesses or markets. Such decisions could lead to financial losses, lost opportunities, or reputational or conduct risk	

Principal uncertainties

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

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

Further details on Principal uncertainties are set out in the Risk and capital review on pages 200 to 203

Uncertainty	Description	Mitigants
Deteriorating macroeconomic conditions in footprint countries	• Deteriorating macroeconomic conditions can have an impact on our performance via their influence on personal expenditure and consumption patterns; demand for business products and services; the debt service burden of consumers and businesses; the general availability of credit for retail and corporate borrowers; and the availability of capital and liquidity for our business	• We balance risk and return, taking account of changing conditions through the economic cycle • We monitor economic trends in our markets very closely and continuously review the suitability of our risk policies and controls
Financial markets dislocation	• A sudden financial markets dislocation could affect our performance, directly through its impact on the valuations of assets in our available-for-sale and trading portfolios or the availability of capital or liquidity • Financial markets instability also may increase the likelihood of default by our counterparties; and may increase the likelihood of client disputes	• We stress test our market risk exposures to highlight the potential impact of extreme market events on those exposures and to confirm that they are within authorised stress loss triggers. Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Where necessary, overall reductions in market risk exposure are enforced • We carefully assess the performance of all of our counterparties in stress scenarios and adjust our limits accordingly • We maintain robust processes to assess the suitability and appropriateness of the products and services we provide to our clients
Geo-political events	• We face a risk that geo-political tensions or conflict in our footprint could impact trade flows, our customers' ability to pay and our ability to manage capital across borders	• We actively monitor the political situation in all of our principal markets and conduct regular stress tests of the impact of such events on our portfolios, which inform assessments of risk appetite and any need to take mitigating action
Risk of fraud and other criminal acts	• The banking industry has long been a target for third parties seeking to defraud and disrupt legitimate economic activity, or to facilitate other illegal activities. The risk posed by such criminal activity is growing as criminals become more sophisticated and as they take advantage of the increasing use of technology and the internet. The incidence of cyber crime is rising, becoming more globally coordinated, and is a challenge for all organisations	• We seek to be vigilant to the risk of internal and external crime in our management of people, processes and systems and in our dealings with customers and other stakeholders • We have implemented a range of cyber crime defences to protect from hacking, misuse, malware, errors, social engineering and physical threats • Controls are embedded in our policies and procedures across a wide range of the Group's activities, such as origination, recruitment, physical and information security • We perform regular reviews of our control environment, perform external benchmarking against government and international cyber standards and frameworks, and conduct tests of our defences against cyber and other attacks • We actively collaborate with our peers, regulators and other expert bodies as part of our response to this risk

Uncertainty	Description	Mitigants
Exchange rate movements	• Changes in exchange rates affect the value of our assets and liabilities denominated in foreign currencies, as well as the earnings reported by our non-US dollar denominated branches and subsidiaries • Sharp currency movements can also impact trade flows and the wealth of clients, both of which could have an impact on our performance	• We actively monitor exchange rate movements and adjust our exposure accordingly • Under certain circumstances, we may take the decision to hedge our foreign exchange exposures in order to protect our capital ratios from the effects of changes in exchange rates
Regulatory changes	• The nature and impact of future changes in economic policies, laws and regulations are not predictable and may run counter to our strategic interests. These changes could also affect the volatility and liquidity of financial markets, and more generally the way we conduct business and manage capital and liquidity	• We review key regulatory developments in order to anticipate changes and their potential impact on our performance • Both unilaterally and through our participation in industry groups, we respond to consultation papers and discussions initiated by regulators and governments. The focus of these activities is to develop the framework for a stable and sustainable financial sector and global economy
Regulatory compliance	• Although we seek to comply with all applicable laws and regulations, we are and may be subject to regulatory reviews and investigations by governmental and regulatory bodies, including in relation to US sanctions compliance and anti-money laundering controls. We cannot currently predict the nature or timing of the outcome of these matters. For sanctions compliance violations, there is a range of potential penalties which could ultimately include substantial monetary penalties, additional compliance and remediation requirements and/or additional business restrictions • Regulators and other agencies in certain markets are conducting investigations into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. Further details of material settlements and ongoing investigations are set out on pages 201 to 203	• We have established a Board-level Financial Crime Risk Committee and, since 2013, we have had a Financial Crime Risk Mitigation Programme. This is a comprehensive, multi-year programme designed to review and enhance many aspects of our existing approach to money laundering prevention, combating terrorism finance, sanctions compliance and the prevention of bribery and corruption • We are contributing to industry proposals to strengthen financial benchmarks processes in certain markets and continue to review our practices and processes in the light of the investigations, reviews and industry proposals • We are cooperating with all relevant ongoing reviews, requests for information and investigations • In meeting regulatory expectations and demonstrating active risk management, the Group also takes steps to restrict or restructure or otherwise to mitigate higher-risk business activities which could include divesting or closing businesses that exist beyond risk tolerances

Governance overview

Supporting decisions and guiding behaviours across the Group

Our approach to governance

We have a Group structure operated through both subsidiaries and branches, and maintain a consistent approach to overall governance, while respecting local legal, regulatory and governance requirements. During the year under review, governance was managed across the Group's eight geographic regions – through the respective regional chief executive officer offices, the business and functions. As part of the business reorganisation[1] the number of regions has been reduced to four. This ensures that the Group is effectively managed and controlled in line with the new strategy, announced in November 2015, the Group's values and culture, and with regard to the requirements of all the Group's stakeholders. In addition to clients, these stakeholders include governments, regulators, shareholders, employees, suppliers and the communities in which it operates.

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

An overview of the activities of the Board and its committees can be found on pages 66 to 141

Who is on our Board

The Board's composition, structure and size underwent further significant change through the course of 2015 and into 2016. The changes will result in a smaller Board of 14 directors at the end of April 2016, consisting of the Chairman, two executive directors and 11 independent non-executive directors. This ongoing refreshment of the Board ensures we maintain a combination of broad-based banking, finance, risk and accounting skills and experience, representation from across our key markets, and a diversity of perspective.

Details of the changes to the composition of the Board can be found on page 71.

Code compliance

We apply the provisions of the UK Corporate Governance Code 2014 (the 'Code'). The directors confirm that the Group has complied with all of the provisions set out in the Code during the year ended 31 December 2015, subject to Peter Sands not seeking re-election at the 2015 Annual General Meeting (AGM). This was a conscious decision following the announcement, made prior to the AGM, that Peter would step down from the Board on 10 June 2015, shortly after the AGM.

We have complied with the code provisions of the Hong Kong Corporate Governance Code (Appendix 14 of the Hong Kong Listing Rules), save that the Board Risk Committee, instead of the Audit Committee, is responsible for the oversight of internal control (other than internal control over financial reporting) and risk management systems (Code provision C.3.3 (f), (g) and (h) of Appendix 14). The Group's governance structure of a separate Audit Committee and Board Risk Committee complies with recent amendments to the above provisions which apply to the Group's accounting period from 1 January 2016.

The Group confirms that it has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than required by Appendix 10 of the Hong Kong Listing Rules. Having made specific enquiry of all directors, the Group confirms that all directors have complied with the required standards of the adopted code of conduct.

Our Board and its committees

The Board delegates certain responsibilities to its committees to assist it in carrying out its function of ensuring independent oversight. With the exception of the Governance and Nomination Committee which, in keeping with the provisions of the Code, is chaired by the Group Chairman, all of the Board committees are made up of independent non-executive directors and play an important role in supporting the Board. In addition to four independent non-executive directors, the Board Financial Crime Risk Committee also comprises four independent external advisor members.

A list of the Board directors and their biographies are set out on pages 62 to 65. Biographies of the four external advisor members can be found on page 97.

1. The reorganisation of our business was implemented on 1 October 2015, and will be reflected in our 2016 Annual Report and Accounts

Standard Chartered PLC Board

Audit Committee	Board Risk Committee	Brand, Values and Conduct Committee	Remuneration Committee	Governance and Nomination Committee	Board Financial Crime Risk Committee
Oversight and review of financial, audit and internal control issues. More details on page 79.	Oversight and review of fundamental risks including credit, market, capital, liquidity, operational, country cross-border and pension risks. More details on page 85.	Oversight of the positioning of the Group's brand, conduct, culture and values, reputational risk, government and regulatory relations, and sustainability issues. More details on page 89.	Oversight and review of remuneration, share plans and other incentives. More details on page 99.	Oversight and review of Board and executive succession, overall Board effectiveness and governance issues. More details on page 93.	Oversight and review of all financial crime compliance matters. More details on pages 96.

Directors' remuneration overview

Incentivising the delivery of the new strategy and growth in shareholder returns

In this extract from the directors' remuneration report, we summarise the 2015 remuneration decisions in relation to Group annual incentives and the executive directors. We also summarise the key features of the new proposed directors' remuneration policy.

More details can be found in the Directors' remuneration report on pages 99 to 141

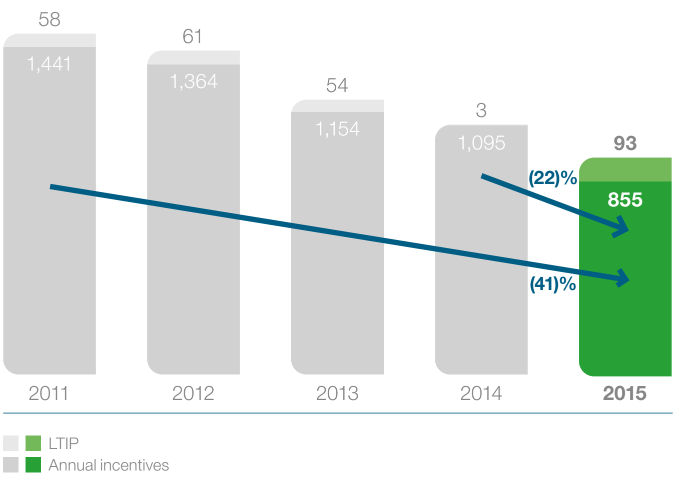
During 2015, the Group announced comprehensive changes to its strategy, structure and leadership, with a view to positioning the Group for sustainable growth and the delivery of improved returns.

2015 has been poor in respect of the key financial metrics for performance of the business and there has also been a material decline in share price, alongside a cut in the dividend. This financial performance has had a significant influence on the Committee's decision making for the year.

Group performance and remuneration for 2015

In light of the Group's performance, the Committee determined that discretionary annual incentives for 2015 should be $855 million, a reduction of 22 per cent on 2014. Since 2011, annual incentives are down by 41 per cent. The Committee decided this level of annual incentives was required in order to reward and incentivise those employees who remain with the Group to deliver the new strategy announced in November 2015.

Incentives trend 2011 to 2015 $million



The Committee concluded that it would not be appropriate to award annual incentives to the most senior management for 2015 performance. However, incentives to execute the strategy and create sustained shareholder value are key to delivery of the plan. The value of the 2015 long-term incentive awards will be determined by Group performance over the period 2016 to 2018. Incentive awards were also made to individuals who left the Group during 2015 as part of restructuring, who were in service for at least nine months of the year, totalling $45 million.

New proposed directors' remuneration policy

We intend to propose a new directors' remuneration policy to shareholders for approval at our AGM in May 2016. This policy, set out in this directors' remuneration report and summarised below, has been developed giving consideration to the following:

- A new directors' remuneration policy is proposed with a simplified structure and increased long-term focus. This will be put to shareholders for approval at the Annual General Meeting (AGM) in May 2016
- The new policy has two elements – an annual incentive and stretching long-term incentive plan (LTIP) performance conditions
- 2015 Group annual incentives of $855 million, down 22 per cent from 2014 and down 41 per cent since 2011
- No 2015 annual incentive award for executive directors
- Subject to approval of the new policy, LTIP will be used to incentivise directors to deliver the new strategy and grow shareholder returns

- The aim to simplify incentive arrangements and give a clearer and more transparent remuneration policy
- The recent corporate changes and new business strategy, announced to shareholders in November 2015
- The Committee's objective to align remuneration packages with the delivery of the new strategy and improved shareholder returns
- Shareholder preferences for a simpler and clearer remuneration policy with greater focus on long-term performance and our undertaking to shareholders to reflect these preferences in a new policy once the regulatory position was clearer
- Regulatory developments, in particular the new requirements published by the Prudential Regulatory Authority (PRA) in June 2015, require a certain proportion of variable remuneration to vest no faster than pro rata over three to seven years after award. In addition, the remuneration guidelines published by the European Banking Authority (EBA) late in 2015, contain further provisions around the operation of share awards

In light of the above, the Committee decided it would be appropriate to propose a new remuneration policy, with the following characteristics:

- Separate annual incentive award alongside a long-term incentive plan (LTIP) award to give a simpler remuneration structure with a clear link to short- and long-term performance. At least 60 per cent of the variable remuneration opportunity will be subject to stretching long-term performance measures
- Annual incentive and LTIP performance measures focused on the new business strategy
- Increased length of remuneration deferral from three to seven years

Directors' remuneration for 2015

In light of the Group's financial performance in 2015, it was determined that all executive directors should have zero annual incentives for 2015. This decision was arrived at following consideration of the specific performance measures applicable to variable remuneration determinations and the wider financial Group performance.

In addition, all LTIP awards granted to executive directors in 2013 lapse in full given performance measures have not been met.

Subject to shareholder approval of the new remuneration policy at our AGM in May 2016, LTIP awards will be granted to Bill Winters and Andy Halford, delivered in shares (with a face value of 200 per cent of fixed remuneration at the time of award) and subject to the satisfaction of stretching long-term performance measures, which will be measured over three years. These performance measures comprise of a return on equity (RoE) measure (with a Common Equity Tier 1 (CET1) underpin), a relative total shareholder return (TSR) measure and other measures which are aligned with the new strategy. If performance measures are achieved, the shares will vest over the period 2019 to 2023.

The impact of these decisions on the current executive directors' total remuneration is set out in the table below.

	W T Winters		A M G Rees		A N Halford	
	2015	2014	**2015**	2014	**2015**	2014
Annual incentive ($000)	**0**	–	**0**	0	**0**	866
Annual incentive as a percentage of maximum	**0%**	–	**0%**	–	**0%**	58%
Single total figure of remuneration (excluding pension and buy-out of incentives for new joiners) ($000)	**2,432**	–	**2,683**	2,992	**2,158**	2,056
2016-18 LTIP award (face value) proposed to be granted in May 2016 ($000)	**8,435**	–	**0**	–	**5,037**	–
Proposed 2016-18 LTIP as a percentage of fixed remuneration	**200%**	–	**0%**	–	**200%**	–

Board changes

The Committee considered the remuneration of a number of Board joiners and leavers during the year, including Peter Sands, Jaspal Bindra and V Shankar, who stepped down as executive directors, and Bill Winters, who joined the Board as Group Chief Executive in June.

The arrangements for these joiners and leavers were dealt with in accordance with the framework of the approved directors' remuneration policies for recruitment and termination.

Specific details on the remuneration arrangements on leaving for Peter, Jaspal and V Shankar have been announced previously.

On 7 January 2016, it was announced that Mike Rees would retire from the Board on 30 April 2016. In line with the UK reporting regulations, details of the relevant remuneration arrangements on leaving were set out in the London Stock Exchange announcement on 7 January 2016.

As part of Bill Winters' remuneration arrangements, the Committee approved a buy-out award. This compensated Bill for the forfeiture of share interests on joining from his previous employment. The buy-out award is in the form of shares in the Group with a value of $9.93 million as at the date of grant (22 September 2015), significantly lower in value than the value of the share interests forfeited.

Business environment

A year of divergence

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

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

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

The outlook for 2016

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

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

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

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

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

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

Asia

We expect Asia's growth to be 6.1 per cent in 2016, compared to 6 per cent in 2015. After an eventful and volatile summer in 2015, there is market concern about whether Asia is heading for another recession like that seen in 1997 to 1998. We do not expect this, as Asia's fundamentals are significantly stronger today than they were heading into that crisis. The first critical difference is that today's more freely moving exchange rates

In 2015, China's economy likely expanded 6.9 per cent, one of the fastest growing in the world

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

Growth in 2016 to remain resilient

China	South Korea	Hong Kong	UAE
6.8%	2.8%	2.4%	2.9%
2015: 6.9%	**2015:** 2.6%	**2015:** 2.4%	**2015:** 3.8%

India[1]	Indonesia	Singapore	Nigeria
7.6%	5.2%	2.1%	5.0%
2015: 7.4%	**2015:** 4.7%	**2015:** 1.8%	**2015:** 2.8%

1. India's financial year starts in April

can adjust to changes in fundamentals, such as terms of trade, without leading to major knock-on credit events. Asia's external debt is now denominated in both local and foreign currency, and most foreign-currency debt is hedged or matched with known future foreign exchange (FX) receivables. Malaysia's foreign-currency-denominated debt now accounts for just 47 per cent of its total external debt, down sharply since before the Asian crisis. Ratios of FX reserves to short-term debt and imports have also improved. While risks from prior leverage excesses in some sectors and economies may reduce policy makers' options to boost growth, we think these risks are manageable.

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

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

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

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

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

Sub-Saharan Africa (SSA)

We expect sub-trend growth in SSA economies to continue in 2016. We estimate growth to rise modestly to 3.2 per cent in 2016 from 2.4 per cent in 2015 but still below previous trend levels of around 5 per cent. An expected recovery in Nigeria will provide much of the momentum in 2016, after a year of negligible per-capita income growth driven by the oil-price collapse and the election-related slowdown. With a new cabinet in place, the hope is that 2016 will bring accelerated reforms and greater growth momentum. FX availability is a constraint in Nigeria. Our expectations of a 2016 recovery may be disappointed if the real economy continues to bear the burden of adjustment to weaker oil prices, with efforts to hold back demand in order to support a fixed exchange rate. South Africa has been caught in weak, sub-trend growth since the 2008 to 2009 global financial crisis. Efforts to increase fiscal stimulus have not yielded the desired results. There is now little room for

An expected recovery in Nigeria will bring growth momentum in 2016

While oil prices are low, MENA economies have taken the opportunity to reform subsidies

further stimulus as South Africa faces a higher public-debt ratio and the likelihood of further rating downgrades. The country's best hope for growth is to engage in meaningful structural reform.

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

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

Middle East and North Africa (MENA)

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

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

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

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

Conclusion

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

The Group in 2015

Executing our strategy with conviction and discipline

> We have increased our capital base and are taking fundamental actions to reposition the Group for improved returns
>
> **Andy Halford,** *Group Chief Financial Officer*

2015 was a year of considerable challenges and changes. We have reorganised the Group, announced our strategy and completed a £3.3 billion rights issue. The substantial statutory loss for the year and poor underlying financial performance is a reflection of adverse external market conditions as well as the financial impact of planned management actions. Many of these actions have had an upfront negative impact on earnings, but they are the right steps to secure a sustained improvement in future earnings.

The key external headwinds included a decline in commodity prices, muted trade volumes, volatility in equity markets, and ongoing emerging market currency weakness against the US dollar. Though we have little control over external events, we are actively repositioning the Group to increase resilience and reduce correlation to these factors. We are further strengthening and diversifying our balance sheet, tightening risk tolerances, reducing areas of cost and focusing on businesses where we can build stronger returns.

As part of repositioning the Group, we identified a portfolio of businesses and assets comprising approximately one-third of Group risk-weighted assets (RWAs) that needed to be restructured, including approximately $20 billion relating to exposures beyond our tightened risk tolerance. We expected to incur charges in respect of this restructuring from potential losses on liquidation of non-strategic businesses and assets, redundancy costs and goodwill write-downs totalling approximately $3 billion by the end of 2016. We have taken decisive action in a number of these areas, resulting in a restructuring charge of $1.8 billion in the fourth quarter of 2015. This represents a significant upfront portion of the charges announced in November 2015. We remain confident in the original estimated cost for our planned restructuring of around $3 billion.

The main components of the charge taken in 2015 are:

- Nearly $700 million of redundancy costs, including a Special Retirement Programme in Korea of over $400 million
- Just under $1 billion in additional loan impairment relating to the planned liquidation of the $20 billion RWA portfolio. We have active plans to liquidate these assets and have downgraded and further impaired this book (with underlying loan impairment on this portfolio of $1.6 billion in the year). We expect the Common Equity Tier 1 (CET1) ratio to benefit as RWAs are released as these exposures are liquidated
- $126 million goodwill impairment relating to our operations in Thailand

Our highlights

- Took action to strengthen the Group's balance sheet, increasing our capital ratio to 12.6 per cent, within our targeted range of 12 to 13 per cent
- Tightened our risk tolerance and took action to reduce risk concentrations
- Achieved cost efficiencies of $600 million, including $200 million from business exits
- Commenced programme to deliver future cost savings of $2.3 billion by the end of 2018
- Actively managed our balance sheet to retain high-quality deposits, price away low-quality deposits and optimise risk-weighted assets for better returns

Additionally, the Group's methodology for estimating the accounting credit and funding valuation adjustment was revised as the majority of our derivatives now have relevant market proxies. This methodology change resulted in a $863 million charge in the final quarter of 2015. This charge is broadly neutral on regulatory capital given the increase in the prudential valuation adjustment to $1.1 billion as at 30 September 2015. While we cannot estimate the future volatility of this change, the Group has established a hedging desk to manage the credit valuation adjustment risk. Further details are provided in note 1 on page 242 and note 15 on page 266.

The performance commentary that follows is based on profit before tax on an underlying basis and will exclude restructuring charges, the impact of the credit and funding valuation adjustment methodology change, goodwill impairment, own credit adjustment and gains on disposals of businesses, unless otherwise stated.

Performance summary

	2015 $million	2014 $million	Better/ (worse) %
Client income	**14,613**	16,623	(12)
Other income	**826**	1,613	(49)
Operating income	**15,439**	18,236	(15)
Other operating expenses	**(9,032)**	(9,662)	7
Regulatory costs	**(1,006)**	(717)	(40)
UK bank levy	**(440)**	(366)	(20)
Total operating expenses	**(10,478)**	(10,745)	2
Operating profit before impairment losses and taxation	**4,961**	7,491	(34)
Impairment losses on loans and advances and other credit risk provisions	**(4,008)**	(2,141)	(87)
Other impairment	**(311)**	(403)	23
Profit from associates and joint ventures	**192**	248	(23)
Underlying profit before taxation[1]	**834**	5,195	(84)
Restructuring	**(1,845)**	–	nm[2]
Valuation methodology changes	**(863)**	–	nm[2]
Gains/(losses) on businesses disposed/held for sale	**218**	(2)	nm[2]
Own credit adjustment	**495**	100	395
Civil monetary penalty	**–**	(300)	nm[2]
Goodwill impairment	**(362)**	(758)	52
Statutory (loss)/profit before taxation	**(1,523)**	4,235	(136)
Normalised return on equity (%)	**(0.4)**	7.8	
Normalised basic (loss)/earnings per share (cents)	**(6.6)**	138.9[3]	nm[2]
Dividend per share (cents)[3]	**13.7**	81.9	(83)
Common Equity Tier 1 end point basis (%)	**12.6**	10.7	18

1. Excludes $495 million (2014: $100 million) benefit relating to own credit adjustment, $218 million net gain (2014: $2 million net loss) on businesses sold/held for sale and $863 million charge relating to the change in the methodology for estimating credit and funding valuation adjustments in 2015, $1,845 million restructuring charge, $362 million goodwill impairment (2014: $758 million)
2. Not meaningful
3. Restated for the impact of the bonus element included within 2015 rights issue in line with the restatement of prior year earnings per share amounts required by IAS 33

Group income fell 15 per cent, or by $2.8 billion, year-on-year to $15.4 billion. A significant proportion of the decline was attributable to external factors alongside the decisive and strategic actions taken to reduce risk and improve returns in the medium term. Income in the fourth quarter of 2015 was down 11 per cent on the previous quarter and down 27 per cent on the final quarter of 2014 as some of the external trends deteriorated throughout the year.

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

- Foreign exchange impact of around $700 million as a result of emerging market currency weakness against the dollar
- Around $400 million related to businesses that we have either sold or exited. In 2014, we sold our Retail business in Germany, our Retail securities business in Taiwan and exited our small and medium-sized enterprise business in the UAE. In 2015, we exited our institutional cash equities business and sold our consumer finance businesses in Korea, Hong Kong and China
- Negative mark-to-market valuations increased by around $300 million year-on-year on a portfolio of legacy stick positions. The remaining portfolio is now marked to a fair value of below $350 million. This portfolio has been materially reduced over the past two years and the potential for these assets to impact future performance is significantly reduced
- Around $300 million related to market-driven falls in underlying commodity-linked income. Our deliberate de-risking actions accounted for an additional commodity income decline of $100 million
- During the year, we reduced our overall exposure to commodities by 28 per cent, with the portfolio now less than $40 billion, or 8 per cent of total Corporate & Institutional and Commercial exposures. The active risk reduction of this portfolio is largely completed and, on the assumption that commodity prices remain at around current levels, we would not expect this portfolio to reduce materially from here. We will, however, continue to assertively manage within this portfolio to ensure we have good diversity, lower volatility and more security
- Around $100 million of income was lost as a result of the volatility in the renminbi (RMB) and the Chinese equity markets which reduced demand for Wealth Management and Financial Markets products
- Finally, there was an impact from lower levels of client activity and there was almost certainly some loss of momentum as we implemented the new organisation structure and reduced headcount. The process for the senior staff levels is now largely complete with the majority of future headcount reductions likely to be achieved through natural attrition

Group operating expenses were closely managed during the year. Within Group expenses of $10.5 billion there was a significant increase in regulatory spend, up 40 per cent year-on-year to $1,006 million, including a 22 per cent increase in the second half of the year. Additionally the UK bank levy increased 20 per cent year-on-year to $440 million. Excluding regulatory spend and the levy, operating expenses fell 7 per cent year-on-year.

We achieved more than $600 million of cost efficiencies in 2015, including the benefits of businesses disposed or exited in the year of around $200 million. We are commencing our programme to deliver a further $2.3 billion over the next three years. We have reduced staff numbers by over 6,800 people during 2015. Through taking these tough decisions on costs, we are creating capacity to invest in repositioning our Retail and Private Banking businesses, in our Africa franchise, in our RMB services, and in enhancing controls.

Loan impairment, excluding charges of $968 million taken in the fourth quarter of 2015 as we progressed the liquidation of the $20 billion portfolio, increased by $1,867 million to $4,008 million. Loan impairment for the year, excluding all charges from the $20 billion liquidation portfolio, was $2,381 million, representing 87 basis points of loss on loans and advances to customers.

As a result of the above, underlying operating profit before tax of $834 million was down 84 per cent.

Significant steps have been taken to strengthen the capital position, including optimising RWAs and completing the two for seven rights issue in December 2015. In preparation for liquidating a portfolio of assets beyond our tightened risk tolerance, we downgraded a small number of exposures to Non-Performing. The CET1 ratio of 12.6 per cent includes the RWA impact of these downgrades as well as the associated provisions booked as part of the restructuring charge. It is our expectation that the CET1 ratio will benefit from the RWAs released as we liquidate this portfolio.

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

Client segments performance

	2015 $million[1]	2014 $million[2]	Increase/ (decrease) $million	Increase/ (decrease) %
Corporate & Institutional Clients	**8,696**	10,431	(1,735)	(17)
Commercial Clients	**826**	1,183	(357)	(30)
Private Banking Clients	**557**	612	(55)	(9)
Retail Clients	**5,360**	6,010	(650)	(11)
Total operating income[1]	**15,439**	18,236	(2,797)	(15)

1. Excludes $495 million benefit relating to own credit adjustment (Corporate & Institutional), $218 million net gain on businesses sold/held for sale (Commercial: $1 million net loss, Retail: $219 million net gain) and $863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments (Corporate & Institutional)
2. Excludes $100 million benefit relating to own credit adjustment (Corporate & Institutional), $2 million net loss on businesses sold/held for sale (Retail)

Corporate & Institutional Clients income was down 17 per cent year-on-year or $1.7 billion. Of the decline in income:

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

Income from Commercial Clients of $826 million was down 30 per cent, or 27 per cent on a constant-currency basis. Income was impacted by planned client exits in 2015, subdued corporate activity driven by continued RMB volatility and a slowdown in China, impacting Financial Markets income in particular.

Income from Private Banking Clients of $557 million was down 9 per cent. Excluding business exits, income was down slightly, with weaker demand for Wealth Management products, mainly in Hong Kong and Singapore in the second half of the year.

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

Product income

	2015 $million	2014 $million	Increase/ (decrease) %
Transaction Banking	**3,363**	3,802	(12)
Financial Markets[1]	**2,739**	3,400	(19)
Corporate Finance	**2,145**	2,487	(14)
Lending and Portfolio Management	**844**	1,026	(18)
Wealth Management	**1,729**	1,701	2
Retail Products[2]	**4,122**	4,842	(15)
Asset and Liability Management	**425**	653	(35)
Principal Finance	**72**	325	(78)
Total operating income[1]	**15,439**	18,236	(15)

1. Excludes $495 million (2014: $100 million) benefit relating to own credit adjustment and $863 million charge relating to the change in methodology for estimating credit and funding valuation adjustment in 2015
2. Excludes $218 million net gain (2014: $2 million net loss) relating to businesses sold/held for sale

- Transaction Banking income fell 12 per cent with Trade income down 19 per cent and Cash Management and Custody income down 4 per cent. Lower income was driven by weak global demand for trade, declining commodity prices and abundant liquidity in our key markets, placing increased pressure on margins. Foreign exchange had a particular impact on Transaction Banking with income down 8 per cent on a constant-currency basis
- Financial Markets income was down 19 per cent impacted by further negative mark-to-market revaluations on Capital Markets loan positions. Excluding these revaluations, Financial Markets income was down 11 per cent, driven by reductions in Commodity and Foreign Exchange Options income. This was partially offset by income growth in Rates, up 6 per cent, and Cash Foreign Exchange, up 2 per cent
- Corporate Finance income fell 14 per cent due to challenging market environment in the footprint, higher competition due to excess liquidity and focus on selective asset origination. This resulted in pricing pressures and lower origination levels in our financing businesses
- Lending and Portfolio Management income was down 18 per cent driven by a decline in lending balances resulting from return optimisation activities coupled with lower margins
- Wealth Management income rose 2 per cent year-on-year. Strong growth in the first half was largely offset by slower momentum in the second half due to client exits in Private Banking as we managed the segment within tighter risk tolerances, more volatile equity markets and the RMB devaluation
- Retail Products income declined 15 per cent due to adverse foreign currency translation, planned de-risking in unsecured products, and margin compression
- Asset and Liability Management decreased by 35 per cent due to lower accruals income partially offset by an increase in gains from liquidation of available-for-sale holdings
- Principal Finance income declined 78 per cent primarily impacted by weak equity markets leading to higher fair value losses in investments and lower realised gains on exits.

Expenses

	2015 $million	2014 $million	Increase/ (decrease) $million	Increase/ (decrease) %
Staff costs (includes variable compensation)	**5,994**	6,445	(451)	(7)
Premises costs	**779**	882	(103)	(12)
General administrative expenses	**1,620**	1,731	(111)	(6)
Depreciation and amortisation	**639**	604	35	6
Other operating expenses[1]	**9,032**	9,662	(630)	(7)
UK bank levy	**440**	366	74	20
Regulatory costs	**1,006**	717	289	40
Total operating expenses	**10,478**	10,745	(267)	(2)
Staff numbers (period end)	**84,076**	90,940		
Normalised cost to income ratio[2]	**67.8%**	58.9%		

1. Excluding restructuring costs and the civil monetary penalty in 2014
2. See note 12

Other operating expenses, excluding the UK bank levy, regulatory and restructuring costs, fell 7 per cent to $9,032 million, driven by a 7 per cent reduction in staff costs year-on-year as we have reduced headcount. We delivered in excess of our planned $600 million cost efficiencies in 2015 and are commencing our programme to deliver $2.3 billion more over the next three years.

Overall, Group costs were down 2 per cent. The significant reduction in operating expenses was partially offset by increases in regulatory costs and the UK bank levy. Regulatory costs were up 40 per cent to over $1 billion in 2015 as we continued to invest in our control and compliance capabilities. The UK bank levy was $440 million, up 20 per cent. The rate of the levy will fall gradually from 0.21 per cent of eligible liabilities to 0.1 per cent by 2021. At that point, the levy will also change from being charged on the Group's global balance sheet to just the UK balance sheet.

Impairment

	2015 $million	2014 $million	Increase/ (decrease) $million	Increase/ (decrease) %
Corporate & Institutional Clients[1]	**2,638**	991	1,647	166
Commercial Clients	**599**	212	387	183
Private Banking Clients	**94**	–	94	nm[2]
Retail Clients	**677**	938	(261)	(28)
Impairment on loans and advances and other credit risk provisions	**4,008**	2,141	1,867	87
Other impairment[3]	**311**	403	(92)	(23)
Total impairment	**4,319**	2,544	1,775	70
Loan impairment/loan book (bps)	**143**	72		

1. Excludes $968 million relating to restructuring actions
2. Not meaningful
3. Excludes $56 million relating to restructuring actions

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

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

Within this, Retail Client loan impairment fell 28 per cent to $677 million, representing 70 basis points of loss, as a result of deliberate de-risking actions taken, notably in Korea, Thailand and Malaysia, and the disposal of our Consumer Finance businesses.

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

Other impairment of $311 million was down 23 per cent year-on-year and related to impairments in the period against aircraft and strategic investments.

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

	2015	2014
Gross non-performing loans ($million)	**12,759**	7,492
Cover ratio[1]	**53%**	52%
Collateral held against impaired assets ($million)[2]	**2,425**	1,462
Top 20 Clients – concentration (Exposure/Tier 1 capital)	**61%**	83%
Retail unsecured ratio	**15%**	19%
Credit Grade 12 ($million)[3]	**1,432**	5,618

1. Including portfolio impairment provision
2. Adjusted to exclude the impact of over-collateralisation
3. On loans and advances to customers excluding banks

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

- Gross non-performing loans (NPLs) increased from $7.5 billion at the end of 2014 to $9.5 billion as at 30 September 2015 and have further increased on an underlying basis to $9.8 billion as at 31 December 2015. As part of the creation of the liquidation portfolio a further $3.0 billion was downgraded from credit grade 12 (CG 12) to NPLs pending disposal of these exposures giving total NPLs as at 31 December 2015 of $12.8 billion. The aggregate NPLs and CG 12 balances increased from $13.1 billion to $14.1 billion over the course of the year
- The changes in both the CG 12 accounts and NPLs were mainly due to downgrading an interconnected group of exposures within the liquidation portfolio from CG 12 to NPLs. Impairment against this group of exposures has been included in the restructuring charges based on the assessment of likely recoverable amounts
- We are making progress towards resolving the liquidation portfolio. However, as we execute on the liquidations we may require further impairments in 2016
- The cover ratio on our ongoing Corporate & Institutional Clients and Commercial Clients businesses has increased to 59 per cent, or to 70 per cent after including collateral
- Corporate & Institutional Clients NPL inflows from ongoing businesses slowed in the fourth quarter of 2015 when compared with the previous two quarters with the vast majority of new NPL inflows coming from accounts that have been on early alert for more than 12 months. While encouraging, a single quarter does not make for trend
- Total exposure to the Group's top 20 corporate clients as a proportion of Tier 1 Capital has reduced from 83 per cent to 61 per cent as we manage down concentrated exposures

Further detail on restructuring charge taken in the year

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

	Corporate & Institutional $million	Commercial $million	Private Banking $million	Retail $million	Other $million	Total $million
Redundancy and other restructuring expenses	231	56	8	400	–	695
Loan impairment	968	–	–	–	–	968
Impairment of associates and fixed assets	13	20	–	23	–	56
Goodwill impairment	–	–	–	–	126	126
Total restructuring	1,212	76	8	423	126	1,845

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

Further detail on the liquidation portfolio

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

	2015		
	Liquidation portfolio $million	Ongoing business $million	Total $million
Impairment			
Impairment losses on loans and advances	1,627	2,381	4,008
Restructuring impairment charge	968	–	968
Total impairment charge	2,595	2,381	4,976
Loans and advances			
Gross loans and advances to customers	7,940	260,143	268,083
Net loans and advances to customers	4,396	257,007	261,403
Credit quality			
Gross non-performing loans	7,512	5,247	12,759
Individual impairment provisions	(3,544)	(2,584)	(6,128)
Net non-performing loans	3,968	2,663	6,631
Cover ratio[1]	47%	62%	53%
Cover ratio (after collateral)[2]	64%	71%	67%
CG 12 loans	428	1,004	1,432
Risk-weighted assets (in $billion)	20	283	303

1. Including portfolio impairment provision
2. Excluding portfolio impairment provision

Group balance sheet inclusive of the liquidation portfolio

	2015 $million	2014 $million	Increase/ (decrease) $million	Increase/ (decrease) %
Total assets	640,483	725,914	(85,431)	(12)
Total equity	48,512	46,738	1,774	4
Loans and advances to customers	261,403	288,599	(27,196)	(9)
Customer deposits	359,127	414,189	(55,062)	(13)
Advances-to-deposits ratio	72.8%	69.7%		
Liquid asset ratio	30.9%	32.2%		

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

Customer loans and advances were down 9 per cent as we focused on disciplined balance sheet management and more selective asset origination. Customer deposits were down 13 per cent as we concentrated on lower-cost sources of funding, running down less attractive liabilities and investing in businesses, such as Cash Management and Custody that generate valuable liquidity. Currency depreciation against the US dollar impacted the balance sheet in the period. Excluding the impact of foreign exchange, customer loans and advances were down 6 per cent and customer deposits down 11 per cent.

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

Risk-weighted assets – inclusive of the liquidation portfolio

	2015 $million	2014 $million	Increase/ (decrease) $million	Increase/ (decrease) %
Corporate & Institutional Clients	**169,979**	201,978	(31,999)	(16)
Commercial Clients	**18,553**	21,874	(3,321)	(15)
Private Banking Clients	**7,101**	6,507	594	9
Retail Clients	**49,769**	55,887	(6,118)	(11)
Credit Risk	**245,402**	286,246	(40,844)	(14)
Operational Risk	**35,610**	35,107	503	1
Market Risk	**21,913**	20,295	1,618	8
Total risk-weighted assets	**302,925**	341,648	(38,723)	(11)

RWAs were down 11 per cent or $38.7 billion to $302.9 billion. We achieved this reduction through:

- Net positive underlying credit migration from ongoing businesses of $8.9 billion including gross negative credit migration of $15.3 billion offset by $24.2 billion increased provisioning and mark-to-market valuations
- Net negative credit migration of $3.6 billion relating to the liquidation portfolio since 3 November
- $9.6 billion from asset reductions
- RWA efficiencies of $17.3 billion including a $4 billion reduction in Financial Markets, $5 billion in loan sales, exiting $4 billion low-returning client relationships, and $4 billion through active management of unutilised limits, collateral and other system improvements
- $2.7 billion from the combined benefit of Principal Finance exits and the disposal of our Consumer Finance businesses
- $8.8 billion reduction from foreign exchange offset by $4.9 billion other movements

Capital base and ratios – inclusive of the liquidation portfolio

	2015 $million	2014 $million
Common Equity Tier 1 capital	**38,182**	36,013
Additional Tier 1 capital instruments	**4,591**	2,786
Total Tier 1 capital	**42,773**	38,799
Total Tier 2 capital	**16,248**	18,300
Total capital	**59,021**	57,099
Common Equity Tier 1 ratio	**12.6%**	10.7%[1]
Total capital ratio	**19.5%**	16.7%
Leverage ratio	**5.5%**	4.5%

1. 2014 end point Common Equity Tier 1 ratio

The Group has a strong CET1 ratio of 12.6 per cent after restructuring, or 13.2 per cent before restructuring actions.

During the course of 2015, ongoing business activities generated around 80 basis points of CET1 uplift, largely through a reduction in assets. The uplift from the rights issue added around a further 170 basis points. The immediate impact of the restructuring actions then reduced the CET1 ratio by around 60 basis points split between restructuring costs and downgrading assets in the liquidation portfolio. The CET1 ratio is expected to benefit from the RWA released as these exposures are liquidated.

Overall, the balance sheet remains highly liquid, well-capitalised and increasingly diverse as we liquidate exposures that are beyond our tightened risk tolerance, particularly large single-name exposures.

Summary and outlook

The weak momentum in the business reflects continued challenging market conditions combined with the immediate impact of the actions we have taken to strengthen the position of the Group. As we look forward, stresses remain apparent in our markets, and therefore we will continue to actively manage our portfolios. We have increased our capital base and are taking fundamental actions to reposition the Group for improved returns. The external headwinds are not improving. However, the strategy we are following is right for the Group. In these challenging conditions it is all the more important that we continue to execute with conviction and discipline.

2016 will be a year of accelerated execution. We will intensify our focus on balance sheet optimisation, on cost efficiency and on investing to enhance controls and drive stronger returns in the future.

Andy Halford
Group Chief Financial Officer

23 February 2016

Corporate & Institutional Clients

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

Underlying operating profit fell 82 per cent, primarily due to weaker income from Corporate Clients and Financial Markets products, coupled with increased loan impairment:

- Income from Corporate clients fell 19 per cent as a result of lower commodity-linked income, a slowdown in client activity in our footprint, more selective asset origination and the impact of de-risking
- Financial Markets income was significantly impacted by mark-to-market valuations on a small number of loan positions and by challenging market conditions, particularly in the second half of the year
- Impairments increased significantly, primarily driven by exposures to commodities and India, where corporates were impacted by continued stress on their balance sheets, coupled with a more challenging refinancing environment

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

- We delivered $17 billion of risk-weighted assets (RWAs) efficiencies in 2015 through a combination of targeted initiatives and selective origination
- Good progress on a significant restructuring of the business, with substantial cost savings expected in 2016
- Our multi-year investment plan to build infrastructure and frontline capacity for Investor clients is on track. Income from these clients rose 13 per cent in 2015
- The proportion of clients generating 80 per cent of our income increased slightly to 20.3 per cent. The average number of products and markets per client were stable at 6.3 and 3.0 respectively
- Non-financing revenues rose 2 per cent and non-financing revenue ratio increased to 47 per cent from 41 per cent in 2014. Activity levels in key non-financing products such as Foreign Exchange (FX) and Cash Management grew strongly compared with 2014

Financial performance

The following table provides an analysis of financial performance for Corporate & Institutional Clients:

	2015 $million	2014 $million	Better/ (worse) %
Transaction Banking	**2,911**	3,223	(10)
Financial Markets	**2,650**	3,192	(17)
Corporate Finance	**2,128**	2,462	(14)
Lending and Portfolio Management	**656**	767	(14)
Asset and Liability Management	**250**	429	(42)
Principal Finance	**101**	358	(72)
Operating income[1]	**8,696**	10,431	(17)
Operating expenses[2]	**(5,198)**	(5,191)	(0)
Loan impairment[3]	**(2,638)**	(991)	(166)
Other impairment[4]	**(294)**	(307)	4
Profit from associates and joint ventures	**171**	198	(14)
Underlying profit[1,2,3,4]	**737**	4,140	(82)
Client income	**8,151**	9,174	(11)
Customer loans and advances	**140,379**	157,970	(11)
Customer deposits	**200,975**	244,731	(18)
Risk-weighted assets	**214,478**	244,595	(12)
Return on risk-weighted assets[5] (%)	**0.3**	1.7	

1. Excludes $495 million benefit (2014: $100 million) relating to own credit adjustment and $863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments
2. Excludes $231 million charge relating to restructuring actions
3. Excludes $968 million charge relating to restructuring actions
4. Excludes $13 million charge relating to restructuring actions
5. Based on underlying profit

Corporate & Institutional Clients had a challenging year, with the second half, in particular, impacted by a deterioration in market conditions. This resulted in operating income falling 17 per cent to $8,696 million. Excluding the impact of mark-to-market valuations on a small number of Capital Markets loan positions, operating income declined 14 per cent.

Client income, constituting 94 per cent of operating income, fell 11 per cent to $8,151 million. This decline was due to lower income from Corporate clients, which fell 19 per cent, impacted by lower commodity-linked income, more selective asset origination and a slowdown in client activity in our footprint. Income from Financial Institutions clients declined 1 per cent, with a strong performance from our Investors client segment, offset by lower income from the Banks client segment due to lower Trade Finance activity.

Income from Transaction Banking fell 10 per cent to $2,911 million, primarily due to Trade Finance, which declined 18 per cent to $1,338 million impacted by weaker demand, declining commodity prices, abundant liquidity in key markets and de-risking actions. Income from Cash Management and Custody fell 1 per cent to $1,573 million with lower Cash Management income due to margin compression and adverse foreign currency translation, largely offset by strong growth in Custody.

Financial Markets income fell 17 per cent, driven by mark-to-market valuations on a small number of Capital Markets loan positions, subdued syndication loan volumes, and weaker Commodities, Credit and FX Options income. This was partially offset by growth in Rates and Cash FX.

Corporate Finance income fell 14 per cent, due to the challenging market environment across our footprint, more selective asset origination and higher competition due to excess liquidity in our markets.

Asset and Liability Management income declined 42 per cent, as a result of lower accrual income. Principal Finance income fell 72 per cent, impacted by higher fair value losses on listed investments and lower realised gains on exits.

Operating expenses were flat at $5,198 million, with structural cost savings offset by increased regulatory and compliance costs.

Total impairment rose by $1,634 million to $2,932 million, primarily driven by exposures to commodities and India, where corporates were impacted by continued stress on their balance sheets, coupled with a more challenging refinancing environment.

Underlying operating profit fell by $3,403 million, or 82 per cent, to $737 million.

Balance sheet

Customer loans and advances fell 11 per cent reflecting more selective asset origination, internal de-risking actions in the commodities portfolio, the continued impact of a slowdown in China and commodities price declines. RWAs decreased by 12 per cent. Underlying operating profit return on RWAs declined from 1.7 per cent to 0.3 per cent, impacted by the decline in adjusted operating profit.

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

Commercial Clients

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

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

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

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

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

Financial performance

The following table provides an analysis of financial performance for Commercial Clients:

	2015 $million	2014 $million	Better/ (worse) %
Transaction Banking	**440**	560	(21)
Financial Markets	**89**	208	(57)
Corporate Finance	**14**	25	(44)
Lending and Portfolio Management	**188**	259	(27)
Wealth Management	**85**	121	(30)
Retail Products	**18**	11	64
Asset and Liability Management	**21**	32	(34)
Principal Finance	**(29)**	(33)	12
Operating income[1]	**826**	1,183	(30)
Operating expenses[2]	**(711)**	(739)	4
Loan impairment	**(599)**	(212)	(183)
Other impairment[3]	**(7)**	(35)	80
Profit from associates and joint ventures	**14**	22	(36)
Underlying (loss)/profit[1,2,3]	**(477)**	219	(318)
Client income	**823**	1,128	(27)
Customer loans and advances	**11,107**	14,651	(24)
Customer deposits	**19,071**	22,787	(16)
Risk-weighted assets	**20,312**	24,652	(18)
Return on risk-weighted assets[4] (%)	**(2.1)**	0.9	

1. Excludes $1 million (2014: $1 million) net loss on business sold/held for sale
2. Excludes $56 million charge relating to restructuring actions
3. Excludes $20 million charge relating to restructuring actions
4. Based on underlying (loss)/profit

Operating income declined 30 per cent to $826 million.

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

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

Expenses decreased 4 per cent to $711 million due to lower product costs from reduced business volumes.

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

Underlying operating profit fell by $696 million to a loss of $477 million on lower income and higher loan impairment.

Balance sheet

Customer loans and advances decreased by 24 per cent as a result of client exits and transfers and from lower Trade Finance balances. RWAs fell 18 per cent as the impact of balance sheet decline from slow business momentum, client exits and transfers more than offset RWA increases from policy changes. Underlying operating profit return on RWAs reduced from 0.9 per cent to negative 2.1 per cent due to the operating loss for the year.

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

Private Banking Clients

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

Underlying operating profit fell 35 per cent, impacted by an impairment provision relating to a single client case, lower income due to business exits and transfers, and from more challenging market conditions in the second half of the year.

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

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

Financial performance

The following table provides an analysis of financial performance for Private Banking Clients:

	2015 $million	2014 $million	Better/ (worse) %
Transaction Banking	**1**	1	–
Corporate Finance	**3**	–	nm[2]
Wealth Management	**377**	406	(7)
Retail Products	**169**	189	(11)
Asset and Liability Management	**7**	16	(56)
Operating income	**557**	612	(9)
Operating expenses[1]	**(361)**	(447)	19
Loan impairment	**(94)**	–	nm[2]
Other impairment	**(5)**	(16)	69
Underlying profit[1]	**97**	149	(35)
Client income	**532**	586	(9)
Customer loans and advances	**15,068**	18,056	(17)
Customer deposits	**24,532**	29,621	(17)
Risk-weighted assets	**8,116**	7,409	10
Return on risk-weighted assets[3] (%)	**1.2**	2.3	

1. Excludes $8 million charge relating to restructuring actions
2. Not meaningful
3. Based on underlying profit

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

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

Expenses declined 19 cent due to Geneva exit costs incurred in 2014, business transfers and a one-off insurance credit. Excluding these items, expenses rose 10 per cent with increased investment in frontline staff, our UHNW programme and control functions.

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

Underlying operating profit fell by $52 million, or 35 per cent, to $97 million.

Balance sheet

Customer loans and advances fell by 17 per cent, driven by a decrease in collateralised lending.

RWAs rose 10 per cent from 2014, primarily from the impact of collateral eligibility policy changes, methodology and portfolio composition.

Underlying operating profit return on RWAs fell from 2.3 per cent to 1.2 per cent due to the loan impairment provision.

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

Retail Clients

Retail Clients serves Priority, Personal and Business Clients.

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

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

- Operating income fell 11 per cent to $5,360 million. Income was flat, excluding the impact of foreign currency translation, de-risking and business and portfolio exits
- Expenses decreased 6 per cent as a result of cost-efficiency initiatives, business and portfolio exits, and foreign currency translation
- Loan impairment decreased 28 per cent, benefiting from the de-risking actions in the unsecured lending portfolio and the sale of the Consumer Finance business

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

- Continued growth in Priority and Wealth Management despite a weaker second-half performance. Share of Priority income grew from 27 per cent to 35 per cent
- Delivered over $200 million of cost saves, driven by a headcount reduction of over 6,500, optimisation of around 150 branches and around 50 per cent reduction in the number of credit card products offered
- Greater risk alignment through the completion and implementation of the Operational Risk Framework. New global credit framework was designed and rolled out
- Enhanced conduct and client experience resulting in 26 per cent reduction in complaints and Net Promoter Score (NPS) maintained above market average
- Continued buildout of online capabilities and standardisation of product platforms
- Strengthening of conduct continues to be a key focus, with enhancements to CDD processes

Financial performance

The following table provides an analysis of financial performance for Retail Clients:

	2015 $million	2014 $million	Better/ (worse) %
Transaction Banking	**11**	18	(39)
Wealth Management	**1,267**	1,174	8
Retail Products	**3,935**	4,642	(15)
Asset and Liability Management	**147**	176	(16)
Operating income[1]	**5,360**	6,010	(11)
Operating expenses[2]	**(3,768)**	(4,002)	6
Loan impairment	**(677)**	(938)	28
Other impairment[3]	**(5)**	(45)	89
Profit from associates and joint ventures	**7**	28	(75)
Underlying profit[1,2,3]	**917**	1,053	(13)
Client income	**5,107**	5,735	(11)
Customer loans and advances	**94,849**	97,922	(3)
Customer deposits	**114,549**	117,050	(2)
Risk-weighted assets	**60,019**	64,992	(8)
Return on risk-weighted assets[4] (%)	**1.5**	1.6	

1. Excludes $219 million net gain (2014: $1 million net loss) on businesses sold/held for sale
2. Excludes $400 million charge relating to restructuring actions
3. Excludes $23 million charge relating to restructuring actions
4. Based on underlying profit

Operating income fell 11 per cent to $5,360 million. Underlying income was flat, adjusting for the adverse impact of foreign currency translation, planned de-risking, and the impact of business and portfolio exits. Growth in Wealth Management income was offset by lower mortgage margins and a decline in credit card volumes.

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

Income from credit cards and personal loans (CCPL) declined 24 per cent, or $615 million, due to foreign currency translation, business and portfolio exits – including Consumer Finance business – and the impact of de-risking the personal lending portfolio in Korea, Taiwan and Thailand. Excluding these factors, income fell 4 per cent, mainly from lower credit card volumes and margin compression.

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

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

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

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

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

Balance sheet

Loans and advances to customers fell by 3 per cent due to adverse foreign currency movements, business and portfolio exits and the continued impact of de-risking actions. Underlying loans and advances grew by 2 per cent, driven by mortgage growth in Hong Kong and Korea.

RWAs fell 8 per cent, which reflects the impact of de-risking actions and business and portfolio exits, including the sale of the Consumer Finance book.

Underlying operating profit return on RWAs declined marginally to 1.5 per cent compared to 2014.

Operating income by product and segment

Income by product and client segment is set out below:

	2015				
	Total $million	**Corporate & Institutional $million**	**Commercial $million**	**Private Banking $million**	**Retail $million**
Lending and Portfolio Management	**844**	**656**	**188**	**–**	**–**
Transaction Banking	**3,363**	**2,911**	**440**	**1**	**11**
Trade	**1,593**	**1,338**	**243**	**1**	**11**
Cash Management and Custody	**1,770**	**1,573**	**197**	**–**	**–**
Financial Markets	**2,739**	**2,650**	**89**	**–**	**–**
Foreign Exchange	**1,345**	**1,246**	**99**	**–**	**–**
Rates	**793**	**774**	**19**	**–**	**–**
Commodities and Equities	**357**	**351**	**6**	**–**	**–**
Capital Markets	**(18)**	**2**	**(20)**	**–**	**–**
Credit and Other[1]	**262**	**277**	**(15)**	**–**	**–**
Corporate Finance	**2,145**	**2,128**	**14**	**3**	**–**
Wealth Management	**1,729**	**–**	**85**	**377**	**1,267**
Retail Products	**4,122**	**–**	**18**	**169**	**3,935**
CCPL and other unsecured lending	**1,962**	**–**	**1**	**–**	**1,961**
Deposits	**1,184**	**–**	**14**	**120**	**1,050**
Mortgage and Auto	**835**	**–**	**–**	**47**	**788**
Other Retail Products[1]	**141**	**–**	**3**	**2**	**136**
Asset and Liability Management	**425**	**250**	**21**	**7**	**147**
Principal Finance	**72**	**101**	**(29)**	**–**	**–**
Total operating income[1]	**15,439**	**8,696**	**826**	**557**	**5,360**

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

	2014				
	Total $million	Corporate & Institutional $million	Commercial $million	Private Banking $million	Retail $million
Lending and Portfolio Management	1,026	767	259	–	–
Transaction Banking	3,802	3,223	560	1	18
Trade	1,956	1,635	302	1	18
Cash Management and Custody	1,846	1,588	258	–	–
Financial Markets	3,400	3,192	208	–	–
Foreign Exchange	1,321	1,166	155	–	–
Rates	749	721	28	–	–
Commodities and Equities	495	482	13	–	–
Capital Markets	437	434	3	–	–
Credit and Other[1]	398	389	9	–	–
Corporate Finance	2,487	2,462	25	–	–
Wealth Management	1,701	–	121	406	1,174
Retail Products	4,842	–	11	189	4,642
CCPL and other unsecured lending	2,576	–	–	–	2,576
Deposits	1,222	–	10	132	1,080
Mortgage and Auto	938	–	–	56	882
Other Retail Products[1]	106	–	1	1	104
Asset and Liability Management	653	429	32	16	176
Principal Finance	325	358	(33)	–	–
Total operating income[1]	18,236	10,431	1,183	612	6,010

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

Transaction Banking: income fell 12 per cent, with Trade income down 19 per cent and Cash Management and Custody income down 4 per cent, impacted by continuing market headwinds, adverse foreign currency translation and de-risking actions. Trade income was impacted by weaker trade finance demand, declining commodity prices and abundant liquidity in key markets. Cash Management saw strong growth in high-quality operating balances, but income declined due to reduced margins, which were impacted by lower interest rates in key markets. Custody income grew, driven by higher transaction volumes and market liberalisation initiatives in Greater China during the first half of the year.

Lending and Portfolio Management: income decreased 18 per cent, driven by a decline in lending balances resulting from return optimisation activities coupled with lower margins.

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

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

Rates income rose 6 per cent, primarily driven by increased Structured Callable Note issuance, particularly among Financial Institution clients. Credit income was down, impacted by lower trading volumes in Greater China.

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

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

Corporate Finance: income fell 14 per cent due to challenging market environment in the footprint, higher competition due to excess liquidity and a focus on selective asset origination. This resulted in pricing pressures and lower origination levels in our financing businesses.

Principal Finance: income declined 78 per cent due to lower realised gains on exits and higher fair value losses on investments which were impacted by weaker equity market valuations in our footprint.

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

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

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

Performance by geographic region

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

	2015								
	Greater China $million	**North East Asia $million**	**South Asia $million**	**ASEAN $million**	**MENAP $million**	**Africa $million**	**Americas $million**	**Europe $million**	**Total $million**
Operating income[1]	**5,044**	**1,223**	**1,435**	**2,997**	**1,503**	**1,432**	**863**	**942**	**15,439**
Underlying profit/(loss)[1,2]	**1,527**	**(71)**	**(384)**	**146**	**117**	**(32)**	**(5)**	**(464)**	**834**

	2014								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income[3]	5,443	1,473	1,855	3,716	1,844	1,829	861	1,215	18,236
Underlying profit/(loss)[3,4]	2,098	(111)	806	916	770	673	171	(128)	5,195

1. Excludes own credit adjustment, a change in the methodology for estimating credit and funding valuation adjustments, and net gains on businesses sold/held for sale
2. Excludes restructuring actions and goodwill impairment
3. Excludes own credit adjustment and net loss on businesses sold/held for sale
4. Excludes goodwill impairment and the civil monetary penalty

Greater China

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

	2015 $million	2014 $million	Better/ (worse) %
Client income	**4,550**	5,029	(10)
Other income	**494**	414	19
Operating income[1]	**5,044**	5,443	(7)
Operating expenses[2]	**(2,943)**	(2,911)	(1)
Loan impairment	**(701)**	(469)	(49)
Other impairment[3]	**(46)**	(142)	68
Profit from associates and joint ventures	**173**	177	(2)
Underlying profit[1,2,3,4]	**1,527**	2,098	(27)
Net interest margin (%)	**1.5**	1.7	
Customer loans and advances[5]	**77,675**	89,646	(13)
Customer deposits[5]	**132,062**	151,644	(13)
Risk-weighted assets	**57,536**	66,585	(14)

1. Excludes $49 million (2014: $94 million) benefit relating to own credit adjustment, $250 million (2014: $3 million) net gain on businesses sold/held for sale, and $14 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments
2. Excludes $80 million charge relating to restructuring actions
3. Excludes $2 million charge relating to restructuring actions
4. Excludes $362 million charge relating to goodwill impairment (2014: $32 million charge)
5. Based on the location of the clients rather than booking location

Income in Greater China was down 7 per cent to $5,044 million. Market conditions were more challenging in the second half of the year, amid a slowing economic environment across the region.

Segment performance was mixed, with resilient income growth in Retail Clients and Private Banking Clients, excluding the impact of exits, offset by declines in Corporate & Institutional Clients and Commercial Clients. Other income increased 19 per cent due to higher Principal Finance income.

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

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

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

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

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

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

Total impairment remained elevated at $747 million. Continued progress was made to reduce portfolio concentrations in the commodities sector and the tightening of credit underwriting criteria amid a slower economic growth environment.

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

Underlying operating profit for Greater China declined 27 per cent to $1,527 million.

Balance sheet

Customer loans and advances fell by 13 per cent as a result of lower loan demand in a slowing economy, as well as further de-risking. Customer deposits also reduced by 13 per cent due to balance sheet optimisation. RWAs fell 14 per cent.

North East Asia

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

	2015 $million	2014 $million	Better/ (worse) %
Client income	**1,114**	1,323	(16)
Other income	**109**	150	(27)
Operating income[1]	**1,223**	1,473	(17)
Operating expenses[2]	**(1,035)**	(1,179)	12
Loan impairment	**(247)**	(394)	37
Other impairment[3]	**(12)**	(11)	(9)
Underlying loss[1,2,3]	**(71)**	(111)	36
Net interest margin (%)	**1.6**	2.0	
Customer loans and advances[4]	**28,608**	29,582	(3)
Customer deposits[4]	**31,400**	32,616	(4)
Risk-weighted assets	**19,752**	23,990	(18)

1. Excludes $3 million benefit relating to own credit adjustment, $33 million (2014: $14 million) net loss on businesses sold/held for sale, and $58 million charge relating to a change in the methodology of estimating credit and funding valuation adjustments
2. Excludes $445 million charge relating to restructuring actions
3. Excludes $726 million charge relating to goodwill impairment in 2014
4. Based on the location of the clients rather than booking location

Income was down 17 per cent to $1,223 million, and down 11 per cent on a constant currency basis. Korea represents almost 95 per cent of income within this region.

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

Other income declined 27 per cent, impacted by lower Principal Finance income.

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

Loan impairment fell significantly with Retail Clients loan impairment related to the Personal Debt Rehabilitation Scheme filings down 56 per cent in Korea.

Underlying loss was $71 million compared with $111 million in 2014.

Balance sheet

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

RWAs fell 18 per cent, primarily due to the continuing de-risking actions on the unsecured portfolio and RWA optimisation actions in Transaction Banking.

South Asia

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

	2015 $million	2014 $million	Better/ (worse) %
Client income	**1,527**	1,725	(11)
Other income	**(92)**	130	(171)
Operating income[1]	**1,435**	1,855	(23)
Operating expenses[2]	**(827)**	(793)	(4)
Loan impairment[3]	**(961)**	(183)	nm[4]
Other impairment[5]	**(31)**	(73)	58
Underlying (loss)/profit[1,2,3,5]	**(384)**	806	(148)
Net interest margin (%)	**4.0**	3.8	
Customer loans and advances[6]	**19,287**	22,859	(16)
Customer deposits[6]	**15,036**	15,533	(3)
Risk-weighted assets	**23,384**	26,522	(12)

1. Excludes $24 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments
2. Excludes $15 million charge relating to restructuring actions
3. Excludes $386 million charge relating to restructuring actions
4. Not meaningful
5. Excludes $3 million charge relating to restructuring actions
6. Based on the location of the clients rather than booking location

Income fell $420 million, or 23 per cent, to $1,435 million, with Client income down 11 per cent due to the challenging business environment and management actions, which included return optimisation initiatives and portfolio de-risking. Other income declined to a loss of $92 million due to mark-to-market valuations on a small number of loan positions.

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

Income from Retail Clients declined 3 per cent as we de-risked the unsecured portfolio and also due to lower deposit income in India as a result of the Reserve Bank of India lowering interest rates during the year. This was partially offset by higher Wealth Management income, which benefited from higher bancassurance income.

Operating expenses increased 4 per cent to $827 million, mainly due to regulatory changes which offset rationalisation of headcount and premises.

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

Underlying operating profit fell $1,190 million to a loss of $384 million.

Balance sheet

Customer lending fell 16 per cent, mainly due to return optimisation initiatives, portfolio de-risking and lower deal origination which was impacted by muted corporate activity in India. RWAs fell 12 per cent and customer deposits fell 3 per cent due to lower funding requirements on account of a reduction in customer lending.

ASEAN

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

	2015 $million	2014 $million	Better/ (worse) %
Client income	**2,897**	3,482	(17)
Other income	**100**	234	(57)
Operating income[1]	**2,997**	3,716	(19)
Operating expenses[2]	**(1,880)**	(2,078)	10
Loan impairment[3]	**(967)**	(698)	(39)
Other impairment[3]	**(20)**	(86)	77
Profit from associates and joint ventures	**16**	62	(74)
Underlying profit[1,2,3,4,5]	**146**	916	(84)
Net interest margin (%)	**1.7**	1.8	
Customer loans and advances[5]	**66,942**	78,541	(15)
Customer deposits[5]	**75,788**	94,208	(20)
Risk-weighted assets	**70,406**	82,603	(15)

1. Excludes $269 million benefit (2014: $3 million loss) relating to own credit adjustment and $121 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments
2. Excludes $55 million charge relating to restructuring actions
3. Excludes $49 million charge relating to restructuring actions
4. Excludes $126 million charge relating to restructuring actions impacting goodwill impairment
5. Based on the location of the clients rather than booking location

Operating income was down $719 million, or 19 per cent, to $2,997 million, driven by a 17 per cent decline in client income and the impact of mark-to-market valuations on loan positions.

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

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

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

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

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

Operating expenses were $198 million lower, or 10 per cent, at $1,880 million, as a result of cost-reduction actions, including headcount rationalisation and property optimisation.

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

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

As a result, ASEAN underlying operating profit was $146 million, down 84 per cent.

Balance sheet

Customer loans and advances fell 15 per cent, reflecting slower business activity and return optimisation initiatives. RWAs declined 15 per cent driven by the same factors, which more than offset RWA increases due to changes in policy and model methodology.

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

Middle East, North Africa and Pakistan (MENAP)

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

	2015 $million	2014 $million	Better/ (worse) %
Client income	**1,341**	1,625	(17)
Other income	**162**	219	(26)
Operating income[1]	**1,503**	1,844	(18)
Operating expenses[2]	**(947)**	(984)	4
Loan impairment[3]	**(436)**	(89)	(390)
Other impairment	**(3)**	(1)	(200)
Underlying profit[1,2,3]	**117**	770	(85)
Net interest margin (%)	**2.6**	2.8	
Customer loans and advances[4]	**19,485**	22,775	(14)
Customer deposits[4]	**22,019**	22,447	(2)
Risk-weighted assets	**27,022**	29,775	(9)

1. Excludes $1 million benefit relating to own credit adjustment, $1 million net gain (2014: $1 million net loss) on businesses sold/held for sale, and $92 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments
2. Excludes $28 million charge relating to restructuring actions
3. Excludes $5 million charge relating to restructuring actions
4. Based on the location of the clients rather than booking location

Operating income fell by $341 million, or 18 per cent, to $1,503 million. Client income declined 17 per cent due to management actions, which included de-risking and return optimisation, coupled with subdued corporate activity. Management actions included the exit of our SME business in the UAE.

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

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

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

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

Underlying operating profit was down $653 million, or 85 per cent, to $117 million.

Balance sheet

Customer loans and advances were down 14 per cent due to de-risking and the exit of the SME business in the UAE. RWAs decreased by 9 per cent. Customer deposits fell by 2 per cent with outflows driven by de-risking.

Africa

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

	2015 $million	2014 $million	Better/ (worse) %
Client income	**1,409**	1,539	(8)
Other income	**23**	290	(92)
Operating income[1]	**1,432**	1,829	(22)
Operating expenses[2]	**(918)**	(990)	7
Loan impairment[3]	**(502)**	(175)	(187)
Other impairment	**(48)**	(1)	nm[4]
Profit from associates and joint ventures	**4**	10	(60)
Underlying (loss)/profit[1,2,3]	**(32)**	673	(105)
Net interest margin (%)	**4.6**	4.7	
Customer loans and advances[5]	**11,562**	13,103	(12)
Customer deposits[5]	**10,983**	11,224	(2)
Risk-weighted assets	**19,156**	20,289	(6)

1. Excludes $4 million gain relating to a change in the methodology for estimating credit and funding valuation adjustments
2. Excludes $33 million charge relating to restructuring actions
3. Excludes $48 million charge relating to restructuring actions
4. Not meaningful
5. Based on the location of the clients rather than booking location

Operating income in Africa fell 22 per cent to $1,432 million, with client income down 8 per cent and other income down 92 per cent. Other income fell 92 per cent due to Principal Finance valuation losses.

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

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

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

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

Underlying operating profit fell from $673 million to a loss of $32 million.

Balance sheet

Customer loans declined 12 per cent and RWAs fell 6 per cent driven by actions to optimise RWA utilisation mainly in Corporate & Institutional Clients. Customer deposits fell 2 per cent due to a reduction in higher-cost Time Deposits.

Americas

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

	2015 $million	2014 $million	Better/ (worse) %
Client income	**789**	802	(2)
Other income	**74**	59	25
Operating income[1]	**863**	861	–
Operating expenses[2]	**(799)**	(668)	(20)
Loan impairment	**(62)**	(21)	nm[3]
Other impairment[4]	**(7)**	(1)	nm[3]
Underlying (loss)/profit[1,2,4]	**(5)**	171	(103)
Net interest margin (%)	**0.5**	0.6	
Customer loans and advances[5]	**11,498**	10,952	5
Customer deposits[5]	**18,315**	34,019	(46)
Risk-weighted assets	**12,784**	13,692	(7)

1. Excludes $24 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments
2. Excludes $13 million charge relating to restructuring actions in 2015 and $300 million charge relating to the civil monetary penalty in 2014
3. Not meaningful
4. Excludes $2 million charge relating to restructuring actions
5. Based on the location of the clients rather than booking location

Operating income of $863 million was flat, with a 2 per cent decrease in client income offset by higher other income from Financial Markets.

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

Operating expenses were $131 million, or 20 per cent higher at $799 million, largely due to increased regulatory compliance costs and financial crime compliance costs.

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

Underlying operating profit fell from $171 million to a loss of $5 million, mainly due to higher costs and loan impairment.

Balance sheet

Customer loans and advances increased by 5 per cent due to higher reverse repo balances. RWAs decreased 7 per cent driven by RWA optimisation and de-risking initiatives.

Customer deposits fell to $18 billion due to balance sheet optimisation.

Europe

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

	2015 $million	2014 $million	Better/ (worse) %
Client income	**986**	1,098	(10)
Other income	**(44)**	117	(138)
Operating income[1]	**942**	1,215	(22)
Operating expenses[2]	**(1,129)**	(1,142)	1
Loan impairment[3]	**(132)**	(112)	(18)
Other impairment	**(144)**	(88)	(64)
Profit from associates and joint ventures	**(1)**	(1)	–
Underlying loss[1,2,3]	**(464)**	(128)	(263)
Net interest margin (%)	**0.5**	0.8	
Customer loans and advances[4]	**26,346**	21,141	25
Customer deposits[4]	**53,524**	52,498	2
Risk-weighted assets	**82,921**	89,592	(7)

1. Excludes $173 million (2014: $9 million) benefit relating to own credit adjustment, $10 million relating to net gains on businesses sold/held for sale in 2014, and $534 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments
2. Excludes $26 million charge relating to restructuring actions
3. Excludes $480 million charge relating to restructuring actions
4. Based on the location of the clients rather than booking location

Income was down $273 million, or 22 per cent to $942 million. Client income declined 10 per cent as a result of actions taken by management to reshape the business, de-risking actions and from lower client activity levels which particularly impacted Trade Finance. Actions to reshape the business included the closure of the Retail business in Germany, the Private Banking business in Geneva and the Institutional Cash Equities business. Other income declined $161 million to a loss of $44 million impacted by lower Asset and Liability Management income due to increased liquid asset holdings for regulatory purposes.

Trade Finance income declined, impacted by management actions which included de-risking, and as a result of subdued global trade finance demand.

Financial Markets income declined as higher FX income was more than offset by lower income from Capital Markets and Commodities.

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

Operating expenses declined 1 per cent, with a 20 per cent increase in the UK bank levy to $440 million offset by lower expenses from business re-shaping actions and favourable foreign currency translation.

Loan impairment increased by $20 million to $132 million, with higher provisions primarily against a small number of Commodity Clients. Other impairment increased by $56 million to $144 million.

Underlying operating loss for the year was $464 million compared with a loss of $128 million in 2014.

Balance sheet

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

Operating profit relating to business exits

During 2014 and 2015, the Group exited a number of businesses:

2015:

- Sale of the Consumer Finance businesses in Korea, Hong Kong and China
- Closure of the Institutional Cash Equities business
- Closure of the Private Bank in Geneva
- Closure of the Russia and Vienna offices
- Sale of the Retail branch in Lebanon

2014:

- Sale of its Retail business in Germany
- Sale of its Retail securities division in Taiwan
- Run-down of its SME business in UAE

The amounts in the table below reflect the operating income and costs of the businesses exited and excludes any gains or losses on sale and any disposal costs incurred.

	2015 $million	2014 $million
Operating income	**137**	580
Other operating expenses	**(90)**	(310)
Loan impairment	**(30)**	(177)
Operating profit	**17**	93

Group summary consolidated balance sheet

	2015 $million	2014 $million	Increase/ (decrease) $million	Increase/ (decrease) %
Assets				
Cash and balances at central banks	**65,312**	97,282	(31,970)	(33)
Loans and advances to banks[1]	**66,769**	87,500	(20,731)	(24)
Loans and advances to customers[1]	**261,403**	288,599	(27,196)	(9)
Investment securities[1]	**131,846**	129,347	2,499	2
Derivative financial instruments	**63,143**	65,834	(2,691)	(4)
Other assets	**52,010**	57,352	(5,342)	(9)
Total assets	**640,483**	725,914	(85,431)	(12)
Liabilities				
Deposits by banks[1]	**38,248**	55,323	(17,075)	(31)
Customer accounts[1]	**359,127**	414,189	(55,062)	(13)
Debt securities in issue[1]	**68,797**	80,788	(11,991)	(15)
Derivative financial instruments	**61,939**	63,313	(1,374)	(2)
Subordinated liabilities and other borrowed funds	**21,852**	22,947	(1,095)	(5)
Other liabilities[1]	**42,008**	42,616	(608)	(1)
Total liabilities	**591,971**	679,176	(87,205)	(13)
Equity	**48,512**	46,738	1,774	4
Total liabilities and shareholders' funds	**640,483**	725,914	(85,431)	(12)

1. Includes balances held at fair value through profit or loss

Access to financial services

Microfinance

We work with Microfinance Institutions (MFIs) to support the long-term development of the sector. In 2015, we provided lending of $271.6 million to MFI clients for on-lending to microfinance customers.

	2015 $million	2014 $million	2013 $million
Loans extended	**271.6**	318.1	271.0
Individuals impacted[1] (million)	**1.8**	2.1	1.8

1. Based on the assumption of average loan size of $150 in local currency

Clean technology

This includes funding we provided and facilitated to support the clean technology sector, including lending, bonds, and mergers and acquisitions.

	2015 $million	2014 $million	2013 $million
Value of funds provided and facilitated	**883.3**	798.6	945.7

Balance sheet

The Group's balance sheet is increasingly well diversified and, following management actions, provides a stronger platform to support the execution of the strategy. We continue to be highly liquid and primarily deposit funded, with an advances-to-deposits ratio of 72.7 per cent, up from 69.7 per cent at the end of 2014. The Group continues to be a net lender into the interbank market, particularly in the Greater China, ASEAN and Europe regions. The Group's funding structure remains conservative, with limited levels of refinancing over the next few years.

The Group strengthened its capital position through a £3.3 billion rights issue in November 2015, and our Common Equity Tier 1 ratio increased to 12.6 per cent from 10.5 per cent at the end of 2014. Management actions, including those undertaken as part of the Strategic Review, contributed to an 11 per cent reduction in RWAs and a 12 per cent fall in total assets.

The profile of the Group's balance sheet however, remains stable, with around 68 per cent of our financial assets held at amortised cost, and 57 per cent of total assets have a residual maturity of less than one year.

Cash and balances at central banks

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

Loans and advances to banks and customers

Loans to banks and customers fell by $48.9 billion as we focused on disciplined balance sheet management and more selective asset origination. Consistent with our commitment to promote social and economic development across our markets, we continue to extend access to financial services and support lending to the clean technology sector.

Loans to Corporate & Institutional Clients and Commercial Clients are increasingly well diversified by geography and client segment. During 2015, we continued to reshape the portfolio, exiting low-returning clients and increasing loan loss provisions, all of which contributed to the reduction in loan balances compared to 2014. Lending fell $21.2 billion, primarily concentrated in Greater China (down $12 billion) across Energy, Mining and Quarrying and Consumer Durables sectors and ASEAN, principally in the Energy sector.

Retail and Private Banking Clients lending fell $6 billion with unsecured lending falling $3 billion as we reduced our exposure to unsecured lending products across a number of our major markets. This was partly offset by an increase in secured Wealth products across the ASEAN region. Mortgages were largely flat with growth in Greater China and NEA offset by lower balances in ASEAN.

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

Investment securities

Investment securities rose by $2.5 billion as we repositioned liquid assets, increasing holdings of Treasury Bills and highly-rated corporate debt securities. The maturity profile of these assets is largely consistent with prior years, with over 40 per cent of the book having a residual maturity of less than 12 months.

Derivatives

Notional values decreased compared to 2014 as client demand for interest rate hedging declined. As a result, the unrealised positive mark-to-market positions were $2.7 billion lower at $63 billion. The mark-to-market was also impacted by an increased charge in respect of credit and funding valuation adjustments as we adapted our approach to reflect changing market practices. The Group's risk positions continue to be largely balanced, resulting in a corresponding increase in negative mark-to-market positions. Of the $63 billion mark-to-market positions, $39 billion was available for offset due to master netting agreements.

Deposits

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

Debt securities in issue, subordinated liabilities and other borrowed funds

Debt securities in issue and subordinated debt fell $13 billion compared to December 2014, largely due to lower levels of short-dated securities reflecting the reduced funding requirements. Subordinated liabilities reduced $1 billion largely due to exchange rate fluctuations.

Equity

Total shareholders' equity was $1.8 billion higher at $48.5 billion, reflecting the £3.3 billion rights issue ($5.1 billion) and the issuance of $2 billion of Additional Tier 1 instruments during the period, offset by the loss for the year of $2.2 billion, dividend payments (net of scrip) of $0.9 billion and the negative impact of foreign currency translation of $2.3 billion.

Our Strategic report from pages 3 to 59 has been reviewed and approved by the Board

Bill Winters
Group Chief Executive

23 February 2016

Directors’ report

Board of directors

Sir John Peace (66)
Chairman

Appointed: Deputy Chairman in 2007, becoming Group Chairman in 2009. As previously announced, Sir John has indicated his intention to step down from the Board during the course of 2016.

Experience: Sir John has a strong financial services and retailing background, significant board and chairmanship experience, extensive international knowledge and exemplary governance credentials. He joined the board of GUS plc in 1997, of which Burberry and Experian were a part, becoming chief executive from 2000 until 2006. In 2002, Burberry was floated on the London Stock Exchange with Sir John as its chairman, a position he continues to hold. In 2006, Sir John became chairman of Experian, a position he held until he stepped down in 2014. Sir John is committed to supporting his local community and has a long-standing interest in education. He chaired the board of governors of Nottingham Trent University for 10 years, has been a trustee of the Djanogly City Academy in Nottingham since 1999, is Lord-Lieutenant of Nottinghamshire and a fellow of the Royal Society of Arts. Sir John has an honorary doctorate from the University of Nottingham and was knighted in 2011 for services to business and the voluntary sector.

Committees ⬢

Bill Winters, CBE (54)
Group Chief Executive

Appointed: June 2015

Experience: Bill is a career banker with significant frontline global banking experience and a proven track record of leadership and financial success. He has extensive experience of working in emerging markets and a proven record in spotting and nurturing talent. Bill began his career with JP Morgan, where he went on to become one of its top five most senior executives and later co-chief executive officer at the investment bank from 2004 until he stepped down in 2009. Bill was invited to be a committee member of the Independent Commission on Banking, established in 2010 to recommend ways to improve competition and financial stability in banking. Subsequently, he served as an advisor to the Parliamentary Commission on Banking Standards and was asked by the Court of the Bank of England to complete an independent review of the bank's liquidity operations. Bill founded Renshaw Bay, an alternative asset management firm, in 2011 where he was chairman and CEO before stepping down on appointment to the Standard Chartered PLC Board. Bill was previously a non-executive director of Pension Insurance Corporation plc and RIT Capital Partners plc. He is an independent non-executive director of Novartis International AG. He received a CBE in 2013.

Mike Rees (60)
Deputy Group Chief Executive

Appointed: August 2009, becoming Deputy Group Chief Executive in April 2014. As announced on 7 January 2016, Mike will retire from the Board on 30 April 2016.

Experience: Mike has extensive and wide-ranging international banking experience. He held several roles in finance at JP Morgan before joining Standard Chartered in 1990 as the Chief Financial Officer for Global Treasury, becoming the Regional Treasurer in Singapore, responsible for the South East Asia Treasury businesses. Mike was later appointed Group Head of Global Markets and Chief Executive, Wholesale Banking, responsible for all commercial banking products in addition to his responsibilities for global markets products. Mike was appointed Deputy Group Chief Executive in 2014. He has vast knowledge of the Group, our clients and our markets and provided valuable support to the Board and the Management Team in shaping and executing our new strategy. From October 2015, he also assumed responsibility for the Group's Brand and Marketing. Mike is a member of the International Advisory Board of Mauritius and the Mayor of Rome's business advisory council.

Andy Halford (56)
Group Chief Financial Officer

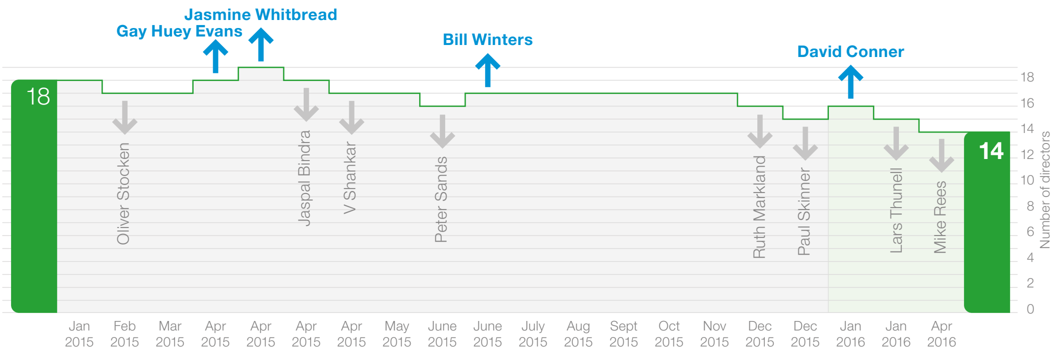
Appointed: July 2014

Experience: Andy has a strong finance background and deep experience of managing complex international businesses across dynamic and changing markets. Andy was finance director at East Midlands Electricity plc prior to joining Vodafone in 1999 as financial director for Vodafone Limited, the UK operating company. Andy was later appointed financial director for Vodafone's Northern Europe, Middle East and Africa region, and later the chief financial officer of Verizon Wireless in the US. He was a member of the board of representatives of the Verizon Wireless Partnership. Andy was appointed chief financial officer of Vodafone Group plc in 2005, a position he held for nine years. As Group Chief Financial Officer at Standard Chartered, Andy is responsible for Finance, Corporate Treasury, Group Corporate Development, Group Investor Relations, Property and Global Sourcing functions. Andy is a non-executive director at Marks and Spencer Group plc and a member of the Business Forum on Tax and Competitiveness.

Committees
■ Audit Committee
▲ Board Risk Committee
◆ Brand, Values and Conduct Committee
⬢ Governance and Nomination Committee
✱ Board Financial Crime Risk Committee
✚ Remuneration Committee
Committee Chair shown in green

Board membership changes

The composition and size of the Board continued to transition during the year in line with our intention to reduce the size of the Board. The number of executive directors on the Board reduced from five to three, and following Mike Rees' retirement at the end of April 2016 will reduce further to two – with an overall Board size of 14 members.



Naguib Kheraj (51)
Senior Independent Director

Appointed: January 2014, becoming Senior Independent Director in June 2015.

Experience: Naguib has significant banking and finance experience. He began his career at Salomon Brothers in 1986 and went on to hold senior positions at Robert Fleming, Barclays, JP Morgan Cazenove and Lazard. Over the course of 12 years at Barclays, Naguib served as group finance director and vice-chairman and in various business leadership positions in Wealth Management, Institutional Asset Management and Investment Banking. Naguib was also a Barclays' nominated non-executive director of Absa Group in South Africa, and of First Caribbean International Bank. He also served as chief executive officer of JP Morgan Cazenove. Naguib is a former non-executive director of NHS England and served as a senior advisor to Her Majesty's Revenue and Customs and to the Financial Services Authority in the UK. Naguib is currently a non-executive director of Rothesay Life, a specialist pensions insurer, and member of the investment committee of the Wellcome Trust. Naguib spends the majority of his time as a senior advisor to the Aga Khan Development Network and serves on the boards of various entities within its network.

Committees ■ ⬢ ▲ ✱ ✚

David Conner (67)
Independent Non-Executive Director

Appointed: January 2016

Experience: David has significant global banking experience, strong risk management credentials and an in-depth knowledge of Asian markets. David spent his career in the financial services industry, living and working across Asia for 37 years, for both Citibank and OCBC Bank. He joined Citibank in 1976 as a management trainee and went on to hold a number of senior management Asian-based roles, including chief executive officer of Citibank India and managing director and marketing manager at Citibank Japan, before leaving Citibank in 2002. David joined OCBC Bank in Singapore as chief executive officer and director in 2002. He implemented a strategy of growth and led the bank through a period of significant turbulence. David stepped down as chief executive officer in 2012 but remained as a non-executive director on the Board of OCBC Bank, before leaving the group in 2014. David is a non-executive director of GasLog Partners LP.

Committees ▲ ■ ✱

Christine Hodgson (51)
Independent Non-Executive Director

Appointed: September 2013

Experience: Christine has strong business leadership, finance, accounting and technology experience. Christine held a number of senior positions at Coopers & Lybrand and was corporate development director of Ronson plc before joining Capgemini in 1997, where she held a variety of roles including chief financial officer for Capgemini UK plc and chief executive officer of technology services for North West Europe, before being appointed chair of Capgemini UK plc. Christine was previously a trustee of MacIntyre Care before stepping down in September 2015. She is a non-executive director and senior independent director at Ladbrokes plc and sits on the board of The Prince of Wales' Business in the Community. Christine is also chair of The Careers & Enterprise Company Limited, a government-backed company established to help inspire and prepare young people for the world of work.

Committees ✚ ■ ◆ ⬢ ✱.

Jasmine Whitbread (52)
Independent Non-Executive Director

Appointed: April 2015

Experience: Jasmine has significant business leadership experience as well as first-hand experience of operating across our markets. Jasmine began her career in international marketing in the technology sector and joined Thomson Financial in 1994, becoming managing director of the Electronic Settlements Group. After completing the Stanford Executive Program, Jasmine set up one of Oxfam's first regional offices, managing nine country operations in West Africa, later becoming international director responsible for Oxfam's programmes worldwide. Jasmine joined Save the Children in 2005, where she was responsible for revitalising one of the UK's most established charities. In 2010, she was appointed as Save the Children's first international chief executive officer, where she led the merger of 14 separate organisations into one management line of 15,000 people across seven regions and 60 countries, while aligning the federation behind a single mission and strategy. Jasmine stepped down from Save the Children in December 2015. She is a non-executive director of BT Group plc.

Committees ◆ ✚ ⬢

Committees
- ■ Audit Committee
- ▲ Board Risk Committee
- ◆ Brand, Values and Conduct Committee
- ⬢ Governance and Nomination Committee
- ✱ Board Financial Crime Risk Committee
- ✚ Remuneration Committee

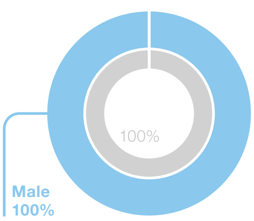
Committee Chair shown in green

Board diversity

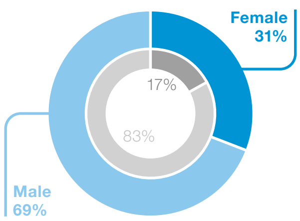
Our long history of operating in some of the world's most dynamic and diverse markets has given us a deep understanding of the benefits of a varied and diverse team. This diversity of experience, knowledge, skills and background is equally beneficial around the boardroom table providing a rich perspective of discussion. We are making progress in reaching our ambition of 25 per cent female representation on the Board by 2017. As at the end of December 2015, the Board comprised 23 per cent women, and following recent Board changes at the beginning of 2016, women make up 20 per cent of the Board as at 23 February 2016.

Gender diversity

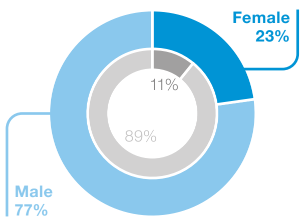
Executive



Non-executive



Board



As at end 2015   As at end 2014

Simon Lowth (54)
Independent Non-Executive Director

Appointed: May 2010

Experience: Simon has significant expertise in finance, capital allocation, portfolio, and risk management and strategy. Simon spent 15 years with the global management consultancy, McKinsey & Company, latterly as a senior director responsible for the firm's UK industrial practice, where he advised leading multi-national companies on a wide range of strategic, financial and operational issues. He joined Scottish Power PLC in 2003 as executive director, corporate strategy and development, becoming finance director two years later. Simon was chief financial officer of AstraZeneca PLC from 2007 until 2013, when he was appointed chief financial officer and executive director at BG Group. Simon stepped down from BG Group in February 2016, following its takeover by Royal Dutch Shell.

Committees ✱

Om Bhatt (64)
Independent Non-Executive Director

Appointed: January 2013

Experience: Om has extensive banking, financial services and leadership acumen, with deep knowledge and experience across India, one of our largest markets. Om had a career spanning 38 years with the State Bank of India (SBI), India's largest commercial bank, where he held a number of roles beginning with the lead bank department, which pioneered financial inclusion. He led the project team that pioneered SBI's technology initiative in the 1990s, undertook assignments at SBI's Washington and London offices and held general management roles between 2004 and 2006, becoming managing director of SBI in 2006, culminating in his appointment as chairman of the State Bank Group until he stepped down in 2011. Om was chairman of the Indian Banks' Association and was previously an independent non-executive director of Oil and Natural Gas Corporation. Om is an independent non-executive director of Hindustan Unilever Ltd, Tata Steel, Tata Consultancy Services and governor of the board of the Center for Creative Leadership.

Committees ▲

Dr Kurt Campbell (58)
Independent Non-Executive Director

Appointed: June 2013

Experience: Kurt has a wealth of experience of the US political environment and significant experience of some of our key markets, notably across Asia. Kurt has served in several capacities in the US government, including deputy assistant secretary of defence for Asia and Pacific Affairs and director on the National Security Council Staff in the White House. Kurt was founder and chairman of StratAsia, a strategic advisory firm focused on Asia. From 2009 to 2013, Kurt served as the US Assistant Secretary of State for East Asian and Pacific Affairs. He was widely credited as being a key architect of the 'pivot to Asia' policy. Kurt was a central figure in advancing the US-China relationship, building stronger ties to Asian allies, and in the opening up of Myanmar. Previously, Kurt was the chief executive officer and co-founder of the Center for a New American Security and associate professor at Harvard's John F Kennedy School of Government. He is chairman and chief executive officer of The Asian Group LLC, a strategic advisory and investment group specialising in the Asia Pacific region.

Committees ◆

Dr Louis Cheung (52)
Independent Non-Executive Director

Appointed: January 2013

Experience: Louis has broad financial services and investor relations credentials, particularly in a Greater China context. Louis was a global partner of McKinsey & Company and a leader in its Asia Pacific financial institutions practice prior to joining Ping An Insurance Group in 2000. Louis worked in several senior roles at Ping An, including chief financial officer, before becoming group president in 2003 and executive director from 2006 to 2011. Louis is currently managing partner of Boyu Capital Advisory Co, a China-focused private equity investment firm, independent non-executive director of Fubon Financial Holding Company, and a Fellow and council member of the Hong Kong Management Association.

Committees +

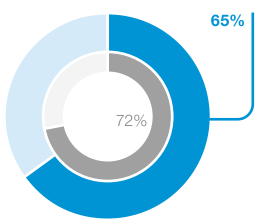
Committees
- ■ Audit Committee
- ▲ Board Risk Committee
- ◆ Brand, Values and Conduct Committee
- ⬢ Governance and Nomination Committee
- ✱ Board Financial Crime Risk Committee
- + Remuneration Committee

Committee Chair shown in green

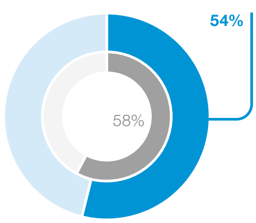
Experience

Our Board is comprised of directors with a broad range of skills, experience, backgrounds and perspectives. As at the end of December 2015, eleven directors on the Board have lived and/or worked across our key markets of Asia, Africa or the Middle East, and over half of the independent non-executive directors have some combination of banking, finance, risk and accounting experience.

International
(lived and/or worked across Asia, Africa, Middle East)



Banking/Finance/Risk/Accounting
(experience among independent non-executive directors)



As at end 2015 As at end 2014

Dr Byron Grote (67)
Independent Non-Executive Director

Appointed: July 2014

Experience: Byron has broad commercial, financial and international experience. From 1988 to 2000, Byron worked across BP in a variety of commercial, operational and executive roles. He was chief executive officer of BP Chemicals and managing director of BP plc in 2000, with regional group-level accountability for BP's activities in Asia from 2001 to 2006. Byron was chief financial officer of BP plc from 2002 until 2011, subsequently serving as BP's executive vice president, corporate business activities, from 2012 to 2013 with responsibility for the group's integrated supply and trading activities, alternative energy, shipping and technology. Byron was a non-executive director at Unilever plc and Unilever NV until he stepped down in April 2015. He is currently a non-executive director of Anglo American plc, Tesco PLC and sits on the supervisory board at Akzo Nobel NV. He is also a member of the European Audit Committee Leadership Network and an emeritus member of the Cornell Johnson School Advisory Council at Cornell University.

Committees ■ ✚

Gay Huey Evans, OBE (61)
Independent Non-Executive Director

Appointed: April 2015

Experience: Gay has extensive banking and financial services experience with significant commercial and UK regulatory and governance experience. She spent over 30 years working within the financial services industry, the international capital markets and with the financial regulator. Gay spent seven years with the Financial Services Authority from 1998 to 2005, where she was director of markets division, capital markets sector leader, with responsibility for establishing a market-facing division for the supervision of market infrastructure, oversight of market conduct and developing markets policy. From 2005 to 2008, Gay held a number of roles at Citi, including head of governance, Citi Alternative Investments, EMEA, before joining Barclays Capital where she was vice chair of investment banking and investment management. She was previously a non-executive director at Aviva plc and the London Stock Exchange Group plc. Gay is currently a non-executive director of ConocoPhillips and Bank Itau BBA International plc, and is deputy chair of the Financial Reporting Council. She received an OBE for services to financial services and diversity in 2016.

Committees ▲ ✱[1]

1. Gay will join the Board Financial Crime Risk Committee on 1 March 2016

Dr Han Seung-soo, KBE (79)
Independent Non-Executive Director

Appointed: January 2010

Experience: Dr Han is a distinguished economist and has a strong geo-political background, with valuable knowledge of Asia and its economies. Dr Han is a former prime minister of the Republic of Korea. He has a distinguished political, diplomatic and administrative career, serving as deputy prime minister and minister of finance, foreign affairs, and industry and trade before serving as prime minister from 2008 to 2009. He also served as Korean ambassador to the United States, chief of staff to the president, president of the 56th Session of the United Nations General Assembly, special envoy of the UN Secretary-General on Climate Change, and chairman of the 2009 Organisation for Economic Cooperation and Development Ministerial Council Meeting. Dr Han sits on a number of advisory boards and is currently the United Nations Secretary-General's Special Envoy for Disaster Risk Reduction and Water, the founding chair of the UN High-Level Experts Panel on Water and Disaster, is the co-chair of the Water Advisory Group at the Asian Development Bank and co-chair of the International Finance Forum.
In addition, he is a non-executive director at Seoul Semiconductor Inc and Doosan Infracore Co Ltd, and is a director on the Yonsei University Foundation Board of Trustees.

Committees ◆

Liz Lloyd, CBE (44)
Group Company Secretary

Appointed: January 2016

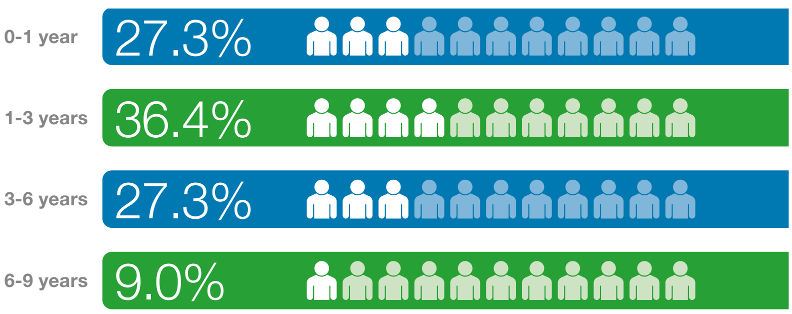
Experience: Liz spent her early career in public policy in the UK government and held a number of roles as special advisor in Number 10 Downing Street on home affairs, Africa and climate change to the then-UK Prime Minister, Rt Hon Tony Blair, a position she held until 2005 when she was appointed deputy chief of staff. Liz joined Standard Chartered in 2007, initially within Group Compliance, focused on regulatory risk and regulatory relationships, before being appointed as Group Head of Public Affairs, responsible for coordinating the Group's policies and positioning on all political and regulatory matters. In 2013, she was appointed Chief Executive Officer of Standard Chartered Bank Tanzania, a position she held until October 2015.
She was elected vice-chair of the Tanzania Bankers' Association in 2015. She received a CBE in 2008.

Committees
■ Audit Committee
▲ Board Risk Committee
◆ Brand, Values and Conduct Committee
⬢ Governance and Nomination Committee
✱ Board Financial Crime Risk Committee
✚ Remuneration Committee
Committee Chair shown in green

Non-executive director tenures

As we continue to evolve and refresh the composition of the Board, we remain mindful of the need to ensure that the tenure of our non-executive directors is well balanced.

Further details on the work of the Governance and Nomination Committee can be found on page 93.



As at 23 February 2016

Chairman's governance overview

> "As a Board, we spent a great deal of time reviewing and discussing all aspects of the Strategic Review which culminated in the new strategy announced in November 2015"
>
> **Sir John Peace,** *Chairman*

Dear Shareholder

As I mentioned earlier in this report, 2015 was a challenging year. While our results were poor, they are set against a backdrop of continuing geo-political and economic headwinds and volatility across many of our markets. 2015 has also been in many ways a watershed, when we embarked on a clear path and revised strategy under a new Management Team led by Bill Winters, prioritising returns for shareholders and allocating capital and investment capacity to areas where we have a long-term competitive advantage and can generate attractive returns.

As a Board, we spent a great deal of time reviewing and discussing all aspects of the strategic review which culminated in the new strategy, announced in November 2015. Further details on the Board's oversight through the formation of the new strategy is set out on page 68. We believe that the new strategy will enable us to weather current market conditions and to reposition the Group for improved and sustainable performance. Our markets remain attractive through the medium to long term, and we remain well positioned to serve wealth creation in Asia, Africa and the Middle East.

I would like to thank shareholders for their support of the rights issue, which was a key enabler of the new strategy and ensures that the Group is well capitalised, providing a strong foundation for the future. In light of the new strategy and the Board's commitment to balancing returns to shareholders with investment in the franchise in order to support future growth, we took the difficult decision to pay no final dividend in 2015. The Board recognises the importance of dividends to our shareholders and therefore this decision was not taken lightly.

During the year, we have made further changes to the composition of our independent non-executive directors as part of the ongoing Board succession plan. This was aimed at streamlining the Board while ensuring a balance of tenure, diversity, geographic knowledge and industry experience. Additionally, after 26 years with the Group, Mike Rees has taken the decision to retire and will step down from the Board at the end of April 2016. Details of changes to our Board can be found on page 71. I would also like to welcome David Conner, who joined the Board on 1 January 2016, and Liz Lloyd, who replaced Annemarie Durbin as Group Company Secretary from 1 January 2016. On behalf of the Board, I would like to thank Mike, Ruth Markland, Paul Skinner, Lars Thunell and Annemarie for their significant contributions to the Group.

These changes, together with the appointment of Gay Huey Evans and Jasmine Whitbread in April last year means that the Board will consist of the Chairman, two executive directors and 11 independent non-executive directors. I would also like to mention the four external advisor members who sit on the Board Financial Crime Risk Committee and add further perspective with a deep knowledge of financial crime compliance.

Diversity is an important factor for us as we address Board succession, and in 2015, we made significant progress in increasing the representation of women on our Board to 20 per cent, up from 11 per cent at the end of 2014. Furthermore, the proportion of women represented at senior positions below the Board is significantly higher.

As I indicated at the start of 2015, it remains my intention to step down from the Board during the course of 2016. Until then, I will continue to focus on the strategic transformation, providing all possible support to Bill and the Management Team, and providing continuity at a time of significant change.

In addition to strategy, one of the most important roles of the Board is setting the right tone and culture of the organisation, and we have considered how to sustain our values and ensure we have a strong culture supportive of our strategy during this time of significant change. The Board and its committees have focused on many aspects of culture throughout the year, from leadership, performance, conduct and remuneration, to risk taking and risk tolerance. One feature has been a focus on well-defined individual accountability, which aligns very well with the new Senior Managers Regime commencing in 2016 in the UK.

The Group is one of the founder members of the Banking Standards Board (BSB), established in April 2015. We place significant importance on all aspects of banking standards and the frameworks and culture needed to underpin, sustain and grow healthy behaviours, professional expertise and competence. The Group engaged with the BSB as it commenced its analysis and assessment of the Group's culture and conduct today, and this will feed into our own work in 2016.

Despite the broad range of uncertainties and challenges ahead, many of which are outside our control, I am confident that the actions we have taken as a Board ensures that the Management Team is well-positioned to deliver against the comprehensive actions and revised strategy, and that we are able to continue to adapt to the changing external environment and restore the Group's performance to realise fully the opportunities present across our markets.

Sir John Peace
Chairman

Corporate governance

Supports decisions and guides behaviours across the Group

Governance assurances and disclosures

Throughout this report we have set out the required governance and regulatory assurances and disclosures. As in previous years, we have sought to give an insight and a genuine understanding of the importance good governance plays across the Group, as well as demonstrate how it supports decisions and guides behaviours within Standard Chartered.

Code compliance

We apply the provisions of the UK Corporate Governance Code 2014 (the 'Code'). The directors confirm that the Group has complied with all the provisions set out in the Code during the year ended 31 December 2015, subject to Peter Sands not seeking re-election at the 2015 Annual General Meeting (AGM). This was a conscious decision following the announcement, made prior to the AGM, that Peter would step down from the Board on 10 June 2015, shortly after the AGM.

We have complied with the code provisions of the Hong Kong Corporate Governance Code (Appendix 14 of the Hong Kong Listing Rules), save that the Board Risk Committee, instead of the Audit Committee, is responsible for the oversight of internal control (other than internal control over financial reporting) and risk management systems (Code provision C.3.3 (f), (g) and (h) of Appendix 14). The Group's governance structure of a separate Audit Committee and Board Risk Committee complies with recent amendments to the above provisions which apply to the Group's accounting period from 1 January 2016.

Throughout this corporate governance report we have provided a narrative statement of how governance operates within the Group and our application of the principles set out in the Hong Kong Listing Rules and the main principles of the Code.

The Group confirms that it has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than required by Appendix 10 of the Hong Kong Listing Rules. Having made specific enquiry of all directors, the Group confirms that all directors have complied with the required standards of the adopted code of conduct.

Copies of the Code and the Hong Kong Corporate Governance Code can be found at frc.org.uk and hkex.com.hk respectively

To the extent applicable, information required by paragraphs 13(2)(c), (d), (f), (h) and (i) of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is available in Other disclosures on pages 142 to 150.

The role of the Board and committees

The Board is collectively responsible for the long-term success of the Group and for ensuring leadership within a framework of effective controls. The Board sets the strategic direction of the Group, approves the strategy and takes the appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations. The Board considers both the impact of its decisions and its responsibilities to all the Group's stakeholders, including the Group's employees, shareholders, regulators, suppliers, the environment and the communities in which it operates.

The Board delegates certain responsibilities to its committees to assist it in carrying out its function of ensuring independent oversight. The Board also delegates authority for the operational management of the Group's business to the Group Chief Executive for further delegation by him in respect of matters which are necessary for the effective day-to-day running and management of the business.

Details of the Group's Management Team can be found on pages 10 to 12.

With the exception of the Governance and Nomination Committee, which in keeping with the provisions of the Code, is chaired by the Group Chairman, all the Board committees are made up of independent non-executive directors and play an important role in supporting the Board. In addition to comprising four[1] independent non-executive directors, the Board Financial Crime Risk Committee's membership includes four independent external advisor members.

The full schedule of matters reserved for the Board's decision along with written terms of reference for the Board's committees can be viewed at sc.com

1. The number of independent non-executive directors will revert to five following Gay Huey Evans' appointment to the Committee on 1 March 2016

Standard Chartered PLC Board

Audit Committee	Board Risk Committee	Brand, Values and Conduct Committee	Remuneration Committee	Governance and Nomination Committee	Board Financial Crime Risk Committee
Oversight and review of financial, audit and internal control issues. More details on page 79.	Oversight and review of fundamental risks including credit, market, capital, liquidity, operational, country cross-border and pension risks. More details on page 85.	Oversight of the positioning of the Group's brand, conduct, culture and values, reputational risk, government and regulatory relations, and sustainability issues. More details on page 89.	Oversight and review of remuneration, share plans and other incentives. More details on page 99.	Oversight and review of Board and executive succession, overall Board effectiveness and governance issues. More details on page 93.	Oversight and review of all financial crime compliance matters. More details on pages 96.

Board roles and key responsibilities

Chairman
Sir John Peace
Responsible for leading the Board and its overall effectiveness and governance, promoting high standards of integrity across the Group and ensuring effective communication between the Board, management, shareholders and wider stakeholders.

Group Chief Executive
Bill Winters
Responsible for the management of all aspects of the Group's businesses, developing the strategy in conjunction with the Chairman and the Board, and leading its implementation.

Senior Independent Director
Naguib Kheraj
Provides a sounding board for the Chairman and discusses concerns that are unable to be resolved through the normal channels or where such contact would be inappropriate with shareholders and other stakeholders. Chairs the Governance and Nomination Committee when considering succession of the Chairman.

Independent non-executive directors
See pages 63 to 65
Provide an independent perspective, constructive challenge and monitor the performance and delivery of the strategy within the risk and controls set by the Board.

The roles of the Chairman and Group Chief Executive are quite distinct from one another and are clearly defined in detailed role descriptions which can be viewed at sc.com

Board meetings

In 2015, the Board held nine scheduled and three ad hoc meetings, including two meetings outside the UK: in Washington, DC and Dwelhi. To enable the Board to use its time most effectively, it maintains a scheduled forward programme of meetings and a rolling agenda. There is sufficient flexibility in the programme for specific items to be added to any particular agenda to ensure that the Board can focus on the key matters at the appropriate time. The Board also schedules a number of informal sessions and interactions, which allows Board members to discuss specific areas of the business or external environment with members of the Management Team and/or external advisors. Generally, members of the Management Team and other senior executives are invited to attend part of the meetings to ensure effective interaction with the Board. During the year, the Chairman met privately with the Senior Independent Director and the independent non-executive directors on several occasions to assess their views and discuss matters arising.

Performance against delivery of the agreed key financial priorities is reviewed at every meeting with particular reference to the detailed Group management accounts. The Group Chief Executive, Deputy Group Chief Executive and Group Chief Financial Officer comment on the market and current trading at each meeting, and present comparative data and customer insight. In addition, the Group Chief Risk Officer periodically attends meetings to update the Board on risk management.

During the year, the Board spent significant time and focus conducting an in-depth review of the Group's strategy. An overview of the process taken is set out on this page.

Strategic Review process and timeline

March – May 2015

Bill Winters visited a number of our markets, meeting with many of our shareholders, clients, employees and other stakeholders to gain a deeper understanding of the Group and the challenges and opportunities that exist.

Mid-June 2015

Bill was appointed as Group Chief Executive and announced a review of the Group's organisation, structure and strategy.

This review commenced with a two-day strategy off-site session in June 2015, at which a number of building blocks for the forward-looking strategy were considered and agreed.

These formed the body of work for the Strategic Review of the Group, and set the strategic direction for the Group. Some of these building blocks included:

- A thorough review and understanding of the competitive environment of the Group and the dynamics at play
- A deep understanding of our clients' needs and behaviours, our product and service capabilities, and required changes
- A detailed review of our geographic footprint and necessary actions
- The development of the Group's digital agenda
- A comprehensive review of the Group's organisational structure, and its processes and controls
- A review of our capital position and requirements, and our cost and investment priorities

Mid-July 2015

Announced a simplification of the Group's organisational structure and the appointment of the new Management Team, who will execute the new strategy.

September 2015

The new Management Team's responsibilities included formulating a plan to address the future performance of the Group by the end of 2015. The building blocks of the new strategy were presented to the Board by the Management Team, and discussed at length, leading to further refinement.

October to November 2015

The plans were developed through the work of the Strategic Review and the new strategy came back to the Board for discussion on a number of occasions through the Autumn. The outcome of the Strategic Review, which included raising additional capital through the rights issue was announced on 3 November 2015. Further details on the new strategy can be found in Our business: our strategy and business model on page 13.

In addition, throughout 2015, the Board's programme included the following items, some of which were considered at each meeting and some reviewed periodically throughout the year.

Board activities 2015	
Strategy	• See page 68 for an outline of the Board's Strategic Review
Budget and performance oversight	• Reviewed and scrutinised the strategic and operational performance of the business across client segments, product groups and geographies • Monitored and assessed the strength of the Group's capital and liquidity positions • Considered, on a regular basis, the management actions taken around risk-weighted assets, costs reductions and business disposals, aimed at strengthening the Group's Common Equity Tier 1 ratio • Took the decision to re-base the 2015 interim dividend and recommended no final dividend be paid for 2015 • Discussed the 2016 budget, reflecting the first year of the five-year strategy, including assessment against risk tolerance thresholds • Discussed periodic updates from Investor Relations on the share price, performance metrics, register activity, and investor and analyst sentiment
External environment	• Received internal and external briefings and input across a range of topics, including the geo-political and regulatory environment, and the macroeconomic landscape • Considered the Group's response and crisis management actions in response to a number of incidents in our markets, including the Nepal earthquake; the terrorist bombing in Bangkok; and the series of explosions at a container storage station in Tianjin
Shareholder and stakeholder relationships	• Engaged with investors throughout the year and responded to retail shareholders' questions at the Annual General Meeting • Held a series of events and meetings in New York and Washington, DC to strengthen relationships with US policy-makers, regulators and authorities • Engaged with key clients and customers as part of the Board's overseas visits, including participation in a number of community activities and projects • Provided input into the decision to extend the Group's sponsorship of Liverpool Football Club • Engaged with the Prudential Regulation Authority (PRA, one of the Group's UK's lead regulators) on the findings of the 2015 Periodic Summary Meeting letter • Discussed the views and concerns of institutional shareholders
Risk and governance	• Received regular risk reports from the Group Chief Risk Officer • Evaluated and approved updates to the Group's Risk Tolerance Statement and the operational and financial top risks • Discussed specific conduct matters and potential outcomes and impacts • Reviewed and discussed the 2015 Bank of England stress test submission and results • Reviewed and approved the Group's approach to demonstrating individual accountability under the UK Banking Reform Act • Reviewed and approved the compliance programme established to meet the requirements of the US Volcker Rule
People, culture and values	• Considered the composition of the Board and its committees in the context of our Board succession plan, and, on the recommendation of the Governance and Nomination Committee, approved the appointment of Naguib Kheraj as the new Senior Independent Director and David Conner as an independent non-executive director • Reviewed the Group's new Management Team and organisational structure, noting its impact on people across the organisation • Approved the appointment of the new Group Chief Risk Officer, Group Head of Internal Audit and Group Company Secretary • Received updates on the Chairman's succession plan • Discussed the importance of a robust conduct culture throughout the Group, including an overview of the Group's Conduct Programme • Assessed the outcome of the 2015 Board effectiveness review and approved the 2016 Action Plan • Endorsed the refresh of the Group's Code of Conduct, to which every employee was requested to recommit

The full schedule of matters reserved for the Board, together with the Board committees' terms of reference, can be viewed at sc.com

Board composition and attendance

Name of director	Board		Audit Committee	Board Risk Committee		Remuneration Committee		Governance and Nomination Committee		Brand, Values and Conduct Committee	Board Financial Crime Risk Committee	Total attendance
	Scheduled	Ad hoc	Scheduled	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Scheduled	
Chairman												
Sir John Peace[1]	9/9	3/3	–	–	–	–	–	4/4	3/3	–	–	**100%**
Group Chief Executive												
W T Winters (appointed 10 June 2015)	5/5	2/2	–	–	–	–	–	–	–	–	–	**100%**
Executive Directors												
A M G Rees	9/9	3/3	–	–	–	–	–	–	–	–	–	**100%**
A N Halford	9/9	3/3	–	–	–	–	–	–	–	–	–	**100%**
Independent Non-Executive Directors												
O P Bhatt	9/9	3/3	–	6/6	1/1	–	–	–	–	–	–	**100%**
Dr K M Campbell[2]	7/9	3/3	–	–	–	–	–	–	–	4/5	–	**82%**
Dr L Cheung[3]	9/9	2/3	–	–	–	5/5	3/3	–	–	–	–	**95%**
D P Conner (appointed 1 January 2016)	N/A	N/A	N/A	N/A	N/A	–	–	–	–	–	N/A	**N/A**
Dr B E Grote	9/9	3/3	6/6	–	–	3/3	N/A	–	–	3/3	–	**100%**
Dr Han Seung-soo, KBE[4]	9/9	1/3	–	–	–	–	–	–	–	5/5	–	**88%**
C M Hodgson[5]	8/9	2/3	6/6	–	–	5/5	3/3	3/3	1/1	5/5	4/4	**95%**
G Huey Evans, OBE (appointed 1 April 2015)	6/6	2/2	–	4/4	N/A	–	–	–	–	–	–	**100%**
N Kheraj[6]	9/9	3/3	6/6	6/6	1/1	1/1	N/A	4/4	1/3	–	4/4	**95%**
S J Lowth[7]	6/9	2/3	–	–	–	–	–	–	–	–	4/4	**75%**
J M Whitbread (appointed 1 April 2015)	6/6	2/2	–	–	–	3/3	N/A	–	–	2/2	–	**100%**
Directors who stepped down in 2015/2016												
J S Bindra (stepped down 30 April 2015)	3/3	1/1	–	–	–	–	–	–	–	–	–	**100%**
R Markland (stepped down 31 December 2015)	9/9	3/3	2/2	–	–	5/5	3/3	1/1	2/2	–	4/4	**100%**
P D Skinner, CBE[8] (stepped down 31 December 2015)	8/9	2/3	–	6/6	1/1	5/5	3/3	4/4	3/3	5/5	–	**95%**
P A Sands (stepped down 10 June 2015)	4/4	1/1	–	–	–	–	–	–	–	–	–	**100%**
V Shankar (stepped down 30 April 2015)	3/3	1/1	–	–	–	–	–	–	–	–	–	**100%**
O H J Stocken, CBE (stepped down 28 February 2015)	2/2	1/1	–	2/2	N/A	–	–	–	–	–	–	**100%**
Dr L H Thunell[9] (stepped down 31 January 2016)	8/9	3/3	6/6	6/6	1/1	–	–	3/4	3/3	–	1/4	**86%**

1. Sir John did not chair any meetings of the Governance and Nomination Committee when considering matters relating to Chairman's succession
2. Dr Kurt Campbell was unable to attend one scheduled Board meeting due to a prior commitment and one scheduled Board and Brand, Values and Conduct Committee meeting for medical reasons
3. Dr Louis Cheung was unable to attend one ad hoc Board meeting, arranged at short notice, due to another business commitment
4. Dr Han was unable to attend two ad hoc Board meetings, arranged at short notice, due to the time of one meeting and the other due to a prior commitment
5. Christine Hodgson was unable to attend one ad hoc meeting, arranged at short notice, due to a prior commitment and one scheduled Board meeting because of a delayed flight
6. Naguib Kheraj was recused from two ad hoc Governance and Nomination Committee meetings due to a potential conflict
7. Simon Lowth was unable to attend three scheduled Board meetings and one ad hoc Board meeting, arranged at short notice, due to other business commitments
8. Paul Skinner was unable to attend one scheduled Board meeting and one ad hoc Board meeting, arranged at short notice, due to other business commitments
9. Dr Lars Thunell was unable to attend one scheduled Board meeting, one scheduled Governance and Nomination Committee meeting and three scheduled meetings of the Board Financial Crime Risk Committee due to prior commitments

In 2015, the Group held one general meeting, our Annual General Meeting, on 6 May 2015, which was attended by all of the directors. All directors, with the exception of Peter Sands (as highlighted on page 67) were proposed for annual (re)election in 2015 and all who stood for (re)election were successfully (re)elected

Independence of directors

When determining whether a non-executive director is independent, the Board considers each individual against the criteria set out in the UK Corporate Governance Code (the 'Code') and also considers how they conduct themselves in Board meetings, including how they exercise judgement and independent thinking. In line with the Code, Dr Han and Simon Lowth's re-appointment were subject to particular review and scrutiny, given they will have both served beyond six years in 2016. The Board is satisfied that all of its non-executive directors bring robust independent oversight and continue to demonstrate independence.

Board composition

The Board's composition, structure and size underwent further significant change during 2015 and into 2016. The changes will result in a smaller Board of 14 directors at the end of April 2016, consisting of the Chairman, two executive directors and 11 independent non-executive directors. This ongoing change in the Board's composition ensures we maintain a combination of broad-based banking, finance, risk and accounting skills and experience, representation from across our key markets, and a diversity of perspective. Details on the diverse composition of the Board and biographical details of the directors are set out on pages 62 to 65, including details of the membership of the Board's Committees.

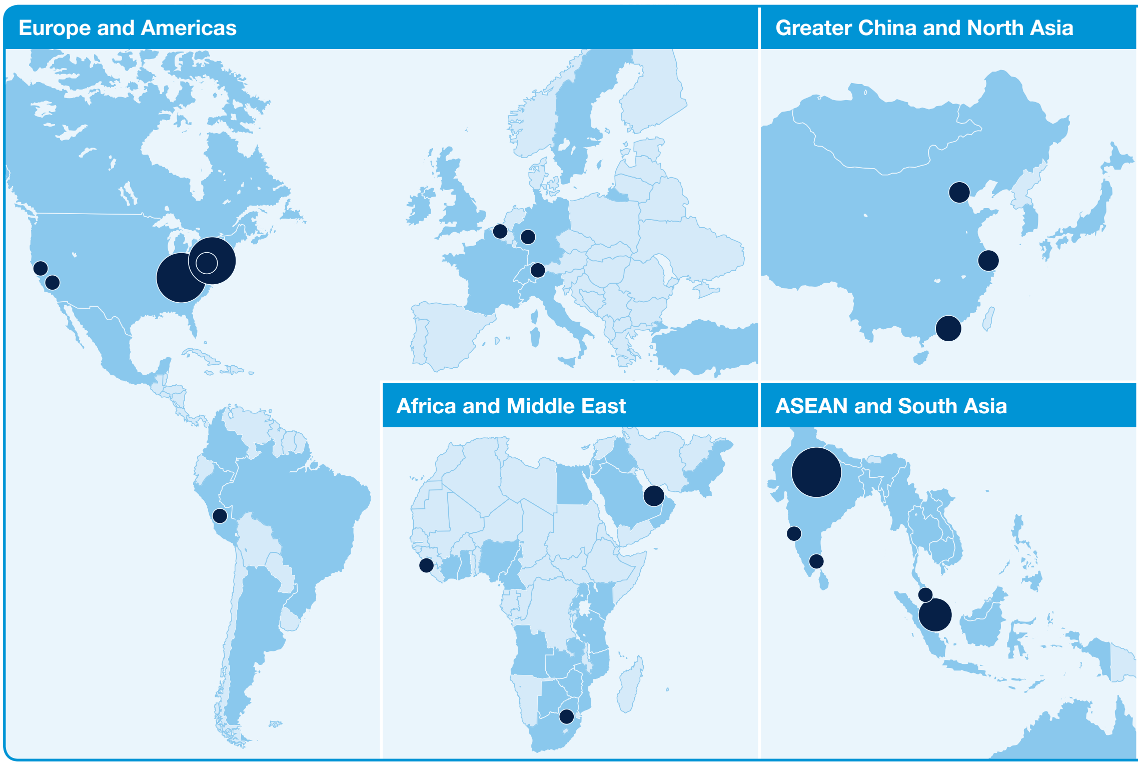
Some of the changes which took effect through 2015 were highlighted in last year's report, including the retirement of three long-standing independent non-executive directors, Oliver Stocken, who stepped down in February 2015, Ruth Markland and Paul Skinner, who stepped down on 31 December 2015, and the appointment of two new independent non-executive directors, Gay Huey Evans and Jasmine Whitbread, who joined the Board in April 2015. Both Gay and Jasmine have received detailed and tailored inductions during 2015. More details on director inductions can be found on page 72.

Jaspal Bindra and V Shankar, both Group Executive Directors, stepped down from the Board on 30 April 2015. Bill Winters succeeded Peter Sands as Group Chief Executive on 10 June 2015, having joined the Group in May 2015. In addition, on 7 January 2016 we announced that Mike Rees, Deputy Group Chief Executive, will step down from the Board on 30 April 2016 and retire on 31 December 2016, after 26 years with the Group.

On 21 December 2015, we announced that Dr Lars Thunell would step down from the Board on 31 January 2016. Lars had been an independent non-executive director since November 2012 and was the Chair of the Board Risk Committee. David Conner joined the Board as an independent non-executive director on 1 January 2016 and was appointed Chair of the Board Risk Committee on 1 February 2016. David brings significant global banking experience, strong risk management credentials, and an in-depth understanding and knowledge of the Asian markets.

In 2015, we announced that Sir John Peace intends to step down from the Board during the course of 2016, having led the Board as Chairman since 2009. Until then, Sir John will continue to focus on the strategic transformation, providing support to Bill and the Management Team and continuity at a time of significant change. The process to identify a new Chairman is underway. The Governance and Nomination Committee has oversight and Naguib Kheraj, who succeeded Ruth Markland as Senior Independent Director on 16 June 2015, chairs the Committee when considering matters concerning the Chairman's succession. More details on the Chairman's succession can be found in the Governance and Nomination Committee report on page 93.

Independent non-executive director, Board Financial Crime Risk Committee external advisor members and Chairman's visits to our markets in 2015



Destination	Visits
Beijing	2
Brussels	1
Chennai	1
Davos	1
Delhi	11
Dubai	2
Frankfurt	1
Freetown	1
Hong Kong	3
Johannesburg	1
Kuala Lumpur	1
Lima	1
Los Angeles	1
Mumbai	1
Newark	2
New York	10
San Francisco	1
Shanghai	2
Singapore	5
Washington, DC	11

The Board strongly believes in the importance of an open and challenging, yet cohesive and collaborative, culture. This culture of transparency ensures that independent non-executive directors have unfettered access to management and information, and enables us to maintain a high level of governance across the Group. The exposure our independent non-executive directors have to the Group in general is demonstrated in part through the visits that they make throughout our markets, both to gain an on-the-ground understanding of the opportunities and risks we face and to validate the new strategy. In addition, the overseas Board meeting programmes also provide a significant opportunity for the Board to meet with senior management, clients and our employees throughout our network. During 2015, the Chairman, our independent non-executive directors and the external advisor members to the Board Financial Crime Risk Committee made 59 visits across our footprint, which included two overseas Board meetings. In addition, there is an open invitation for the chairs of our subsidiary companies to meet with the Board in the UK.

External directorships and other business interests

We support Board members taking external directorships and other outside business interests and recognise the benefits that greater boardroom exposure gives our directors. However, we closely monitor the number of directorships our directors take on to satisfy ourselves that all of our Board members are compliant with the PRA requirements. These impose a limit on the number of directorships both executive and independent non-executive directors are permitted to hold. Details of the directors' external directorships can be found in their biographies on pages 62 to 65.

Before committing to an additional appointment, directors confirm the existence of any potential or actual conflicts; that the role will not breach their limit as set out in the PRA rules; and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director of the Group. In addition, the Board's executive directors are permitted to hold only one non-executive directorship of a FTSE 100 company. Of our executive directors, Andy Halford is a non-executive director of Marks and Spencer Group plc. Bill Winters is a non-executive director of Novartis International AG, listed on the Swiss stock exchange.

Time commitment

We expect our independent non-executive directors to commit sufficient time to discharge their responsibilities. In general, we estimate that each independent non-executive director spent approximately 35 to 50 days on Board-related duties, and considerably more for those who chair or are members of multiple committees. This year's strategy discussions and additional Board meetings demonstrated the independent non-executive directors' ability to provide additional time commitment, at short notice, when required.

Director induction

Each newly appointed Board director receives an extensive, formal and tailored induction programme to enable them to function effectively as quickly as possible, while building a deep understanding of the business and our markets. Each induction typically consists of a combination of: meetings with both executive and independent non-executive directors as well as the Group Company Secretary; briefings from senior managers across the Group; the opportunity to attend key management meetings and to meet with major investors and clients; and visits to key markets across our footprint. The induction programmes are typically completed within the first six to nine months of a director's appointment. They are regularly reviewed and take into account director's feedback to ensure they are continually improved. In line with this tailored approach, the three new directors who joined the Board during the year; Bill Winters, Gay Huey Evans and Jasmine Whitbread, each received comprehensive inductions. Bill Winters spent several weeks prior to joining the Board meeting and listening to shareholders, clients and other stakeholders' views to get an in-depth understanding of how the business is perceived. He also travelled extensively around our markets, visiting branches and offices and meeting as many people as possible to gain a greater understanding of the Group's strengths, the challenges it is facing as well as an insight into the culture and values of the organisation.

Jasmine and Gay's induction programmes each consisted of over 50 meetings with a range of individuals including executive and independent non-executive directors, committee chairs, senior leaders and management groups from across the Group.

Jasmine Whitbread's induction programme

Mindful of Jasmine's experience and knowledge of operating internationally, she met with management and staff in a number of our markets to get a deeper understanding of the business in country. In addition, she also received a series of detailed introductory briefings to banking, which included sessions on: sources of income; geographic diversity; client distribution, and traditional and modern banking services.

To illustrate the breadth and depth of the process, and the tailored nature of the programme, an outline of Jasmine's induction programme is set out below.

Independent non-executive director: Induction programme

- One-to-one meetings with the Chairman, Group Company Secretary, and executive and independent non-executive directors
- Briefing from external legal advisors: directors' duties, responsibilities and obligations
- Meeting with the Group's statutory auditors
- Meeting with Group Head, Commercial & Private Banking Clients; Group Chief Risk Officer; Group General Counsel; Global Head, Regulatory Affairs; Global Head of Tax; Group Head of Internal Audit; Group Chief Operating Officer; Group Head, Corporate Affairs; Group Head of Technology; Group Treasurer; Head of Investor Relations; Chief Executive Officer UK/Europe; Global Head, Markets, Wealth & Securities, Group Technology & Operations
- Meeting with Group Company Secretary on the Group's governance structure and policies
- Briefing on the Group's commitment to Project Everyone and the Sustainable Development Goals
- Briefing on the macroeconomic environment

Introduction to Banking

- Briefings on: the global banking system; financial statements focus for banks; capital

Meetings with the Regulator

- Prudential Regulatory Authority continuous assessment meeting
- Meeting with the Financial Conduct Authority (one of the UK's lead regulators)

Committee induction

- Prior to appointment, attended a Brand, Values and Conduct Committee meeting as an observer
- Attended a Board Risk Committee meeting as an observer
- Chair handover meeting with the outgoing Chair of the Brand, Values and Conduct Committee
- Briefings with management on: brand; reputational risk; conduct, sustainability; community programmes; culture, values and conduct; and government and regulatory relationships

Overseas visits (as part of the overseas Board)

Singapore

- Meeting with Regional Chief Executive Officer ASEAN and South Asia; Group Head, Brand & Chief Marketing Officer; Singapore Chief Executive Officer; Chief Information Officer, Corporate & Institutional Banking; Regional Head General Counsel & Legal, ASEAN; Head of Compliance Singapore; Group Head Strategy; Regional Chief Risk Officer, ASEAN; Country Management Team, Singapore
- Attended meetings with key clients
- Meeting with new Management Team members

Hong Kong

- Meeting with Chief Executive Officer, Hong Kong; Regional Chief Financial Officer, Greater China & North Asia; Chief Financial Officer, Hong Kong; Regional General Counsel; Interim Regional Head Compliance, Greater China & North Asia; Regional HR Greater China & North Asia and Head of HR Hong Kong; Chief Risk Officer
- Meeting with Greater China & North Asia Regional Chief Executive Officer
- Dealing room visit
- Briefings on Hong Kong business overview; Private Banking; and Financial Markets
- Meeting with Hong Kong Executive Committee
- Meeting with Women's Internal Network, Hong Kong

Overseas visits (independent and onward visits)

Sierra Leone

- Meeting with the Chief Executive of Standard Chartered Bank in Freetown

South Africa

- Meeting with Regional Head, Corporate Finance, Africa in Johannesburg
- Meeting with Regional Head, HR, Africa in Johannesburg

New York

- Tour of Standard Chartered Bank offices including overview of the dollar-clearing business
- Meetings with Head of Governance, North America; Chief Financial Officer, Americas; Chief Risk Officer, Americas; Regional Credit Officer, Americas
- Briefing on regulatory compliance landscape and regulatory reform
- Briefing on the Supervisory Remediation Programme, Financial Crime Compliance and Audit
- Meeting on the Group's People Agenda with Regional Head of HR, Americas and Regional Head of Corporate Affairs, Brand & Marketing, Americas

Peru (International Monetary Fund and World Bank Annual Meeting)

- Received a presentation from the Chief Economist – Global macroeconomic overview
- Met with Standard Chartered Bank management and with the Global Head of Public Sector Development Organisation
- Attended conference on securing sustainable growth
- Networking with clients and partners and attending client meetings

Ongoing development plans

Sustaining an effective, well-informed and functional Board requires not only a robust induction process but also a well-managed process of ongoing engagement, training and development. During the year, all directors received a combination of training, briefings, presentations and papers on a range of topics to ensure that each director's contribution to the Board remained well-informed and relevant. This training took the form of refresher training on statutory duties; an update on regulatory and governance responsibilities and obligations; briefings on live and emerging trends in the macroeconomic landscape and on the Senior Managers Regime (SMR). The table below gives further detail on who received these briefings.

The directors are supported by the Group Company Secretary and the Group Corporate Secretariat team. Directors also have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as directors. The delivery of Board and Committee papers and other material to directors through iPads is now well-embedded and provides the Board with a much more flexible and efficient method of accessing information.

Directors' induction and ongoing development in 2015

	Induction training[1]	Directors' duties and regulatory updates	Visits to our markets and meetings with local management	Emerging trends: macro-economic landscape	Senior Managers Regime
Sir John Peace	N/A	✔	✔	✔	✔
W T Winters (appointed 10 June 2015)	✔	✔	✔	✔	✔
O P Bhatt	N/A	✔	✔	✔	✔
J S Bindra (stepped down 30 April 2015)	N/A	N/A	✔	✔	N/A
Dr K M Campbell	N/A	✔	✔	✔	✔
Dr L Cheung	N/A	✔	✔	✔	✔
D P Conner (appointed 1 January 2016)	N/A	N/A	N/A	N/A	N/A
Dr B E Grote	N/A	✔	✔	✔	✔
A N Halford	N/A	✔	✔	✔	✔
C M Hodgson	N/A	✔	✔	✔	✔
G Huey Evans, OBE (appointed 1 April 2015)	✔	✔	✔	✔	✔
N Kheraj	N/A	✔	✔	✔	✔
S J Lowth	N/A	✔	✔	✔	✔
R Markland (stepped down 31 December 2015)	N/A	✔	✔	✔	N/A
A M G Rees	N/A	✔	✔	✔	✔
Dr Han Seung-soo, KBE	N/A	✔	✔	✔	✔
P A Sands (stepped down 10 June 2015)	N/A	N/A	✔	✔	N/A
V Shankar (stepped down 30 April 2015)	N/A	N/A	✔	✔	N/A
P D Skinner, CBE (stepped down 31 December 2015)	N/A	✔	✔	✔	N/A
Dr L H Thunell (stepped down 31 January 2016)	N/A	✔	✔	✔	N/A
O H J Stocken, CBE (stepped down 28 February 2015)	N/A	N/A	✔	N/A	N/A
J M Whitbread (appointed 1 April 2015)	✔	✔	✔	✔	✔

1. Applicable to new directors appointed during 2015

These briefings took the form of a combination of presentations, Board dinners, discussions and the circulation of papers

Board effectiveness review

Against a background of the business reorganisation, the continued transition of the Board and its committees and last year's externally facilitated Board effectiveness review, it was considered that the 2015 review would be most effectively conducted internally, with a particular focus on evaluating the interplay between management and the Board.

Committee effectiveness

The effectiveness of each of the Board committees is also reviewed annually. In 2015, each of the committees conducted an internally facilitated effectiveness review. These reviews, facilitated by Group Corporate Secretariat, requested committee members as well as permanent attendees of the Audit, Board Risk, Remuneration, Brand, Values and Conduct, and Board Financial Crime Risk Committees to provide their input and thoughts on their committees' effectiveness.

The feedback was formally discussed by each of the committees, and overall they were considered to be effective, challenging and well-managed. An action plan has been designed to address the key observations identified.

The 2015 Board effectiveness review process

Individual conversations with the Chairman	Key observations, themes and feedback evaluated	Board and Governance and Nomination Committee discussion	2016 agreed action plan
Each Board member met with the Chairman during the spring/summer of 2015 to provide their feedback and key observations on the Board's effectiveness and to provide their suggestions and opportunities for further enhancement. In providing their feedback, directors took three factors into account: • Identifying opportunities to simplify and streamline the Board and its committees • Ensuring the most effective use of the independent non-executive directors', and the senior executives', time • Ensuring the effectiveness of the Board and its committees is maintained/enhanced	The Chairman reviewed the range of feedback provided on the Board's performance and identified some broad themes for consideration by the Board, including: • Board and committee linkages and information flows • Committee streamlining and simplification, including composition, remit and frequency of meetings • Board and committee meeting logistics, including the location of meetings	The Board and the Governance and Nomination Committee discussed all of the findings of the review following which an action plan was developed and agreed for 2016. The Board was mindful that the Senior Managers Regime (SMR) would impact the roles, remit and ways of working of the Board and its committees. A subsequent briefing was held for the independent non-executive directors on SMR in the autumn of 2015.	**The Action Plan for 2016 includes:** • Review the format, frequency and length of Board and committee meetings to ensure that the time directors spend together is maximised • Ensure the continuation of the overseas Board meetings across the Group's markets and consider the inclusion of committee meetings • Review the composition and clarify the role of each Board committee and simplify the linkages between the committees and the Board as a whole • Consider the remits and coverage of the Board committees taking account of emerging risks as they arise

Directors' performance

During the spring/summer of 2015, the Chairman held discussions with each of the directors to review and assess their individual performance. This is used as the basis for recommending the re-election of directors by shareholders.

For each of the independent non-executive directors, discussion included consideration of:

- Their time commitment, including (where relevant) the potential impact of any outside interests
- The current and future committee membership and structure
- The Board's composition, taking into account when each independent non-executive director envisaged stepping down from the Board

Chairman's performance

The Senior Independent Director met with the independent non-executive directors, without the Chairman present, to review the Chairman's performance.

Investor engagement

The Board understands the importance of regular, transparent and open engagement with investors throughout the year. The Board receives regular updates on the views of the Group's key shareholders and stakeholders, and Board members openly seek the views of our shareholders, both directly and through the Group's Investor Relations team.

Key investor engagement in 2015

March 2015 Full year results and annual report

April 2015 Q1 Interim Management Statement

May 2015 Annual General Meeting

August 2015 Half year results

November 2015 Q3 Interim Management Statement, Strategic Review, rights issue

We have continued to focus on enhancing our engagement with our shareholders and wider stakeholders, including investor voting bodies and credit rating agencies, to explain our performance and set out our plans to refocus the Group.

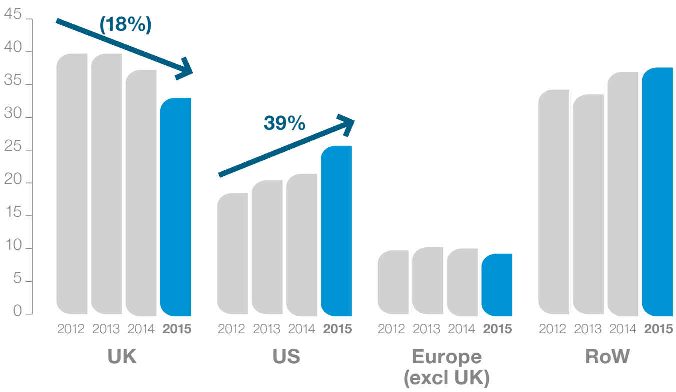
A key feature of our engagement was the announcement of the results of our Strategic Review and a $5 billion fully underwritten two for seven rights issue in November 2015. This was a London-based event hosted by Bill Winters and Andy Halford, and was attended by shareholders and equity analysts alongside a live audio webcast. The review set out a comprehensive programme of actions to move the Group towards a more profitable and less capital-intensive business. The rights issue positions the Group to accelerate execution of the new strategy. The event was followed by a series of roadshows and meetings with key investors from across Europe, the US and Asia, again hosted by Bill and Andy as well as other senior regional/business management. The rights issue closed in December with 96.8 per cent of our shareholders exercising their rights. We are very pleased with the success of our rights issue and would like to thank our shareholders for their support.

A copy of the presentation can be viewed at investors.sc.com

The Chairman, independent non-executive directors and management undertook in the region of 450 investor meetings during 2015. On joining the Group, Bill spent a significant amount of time engaging with our key investors to understand their views on the Group. In addition, both Bill and Andy together engaged extensively with our institutional shareholders and key target investors and each undertook in the region of 100 investor meetings.

The geographic mix of our shareholders has shifted towards the US from the UK, as illustrated in the graph below:

Geographic shareholder movement % of share register



Institutional shareholders programme

The Investor Relations team has primary responsibility for managing day-to-day communications with our institutional investors. The team supports the Chairman, Group Chief Executive, Group Chief Financial Officer, other Board members, and senior management in conducting a comprehensive shareholder programme spread across the year. An insight into the level of engagement undertaken during 2015 is set out below:

- Formal presentation of full year and half year results to our institutional shareholders and analysts, followed by post-results investor roadshows in major investor centres across Europe, the US and Asia

See investors.sc.com for further information

- Interim Management Statement issued for the three months ending 31 March 2015 and nine months ending 30 September 2015, followed by a call with investors and analysts
- Industry conferences in London and Hong Kong attended by executive directors and senior regional/business management
- Extensive engagement on governance matters with our key shareholders and voting advisory bodies, undertaken by the Chairman, Group Company Secretary and senior management throughout the year. These meetings offered the opportunity to discuss changes to the Board and senior appointments across the Group
- The Chairman hosted a governance dinner in London in April 2015 attended by seven key investors. The dinner has become a regular feature of our market communication, providing an open forum for debate on topical governance issues and, more broadly, in deepening our relationship with our top shareholders
- In December 2015, Christine Hodgson, Chair of the Remuneration Committee led a consultation to shape a revised incentive structure. This included engagement with shareholders representing over half of our register on proposals to simplify and align our executive director remuneration and incentives to the new strategy, announced in November 2015, and to ensure ongoing regulatory compliance. More details can be found in the Directors' remuneration report on page 99. We will be seeking shareholder approval for our executive remuneration policy at the 2016 Annual General Meeting
- Various investor meetings were hosted by a combination of our directors and other senior management, including the Group Treasurer, and regional and business management

Retail shareholders' programme

The Group Company Secretary oversees communication with our retail shareholders. The Annual General Meeting, held on 6 May 2015, provided an opportunity for the Board to meet with our retail shareholders, listen to their views and respond to their questions. In addition, during the year, we met with the United Kingdom Shareholders' Association.

The results of the voting at the 2015 AGM can be viewed at investors.sc.com

Debt investor programme

Group Treasury manage the Group's relationships with debt investors and the three major rating agencies. Country chief executives and chief financial officers lead on management of subsidiary ratings. In 2015, management met with debt investors across Europe, the US and Asia and maintained a dialogue with the rating agencies. The Group is an active issuer of senior unsecured and non-equity capital and it is therefore important to maintain regular contact with debt investors to ensure continued appetite for the Group's credit. The Group's credit ratings are important to the external perception of the Group's financial strength and creditworthiness.

Further information can be found at investors.sc.com

Subsidiary governance philosophy and linkages

We have a Group structure operated through both subsidiaries and branches, and maintain a consistent approach to overall governance, while respecting local governance requirements. During the year under review, governance was managed across the Group's eight geographic regions through the respective Regional Chief Executive Officer offices, business and functions. As part of the business reorganisation[1], the number of regions has been reduced to four. In addition, Group Corporate Secretariat operates as a global function with consistent policies and standards. Management of geographic governance is structured to cover economic and political developments, financial performance, governance and risks, franchise development, conduct and people.

As at 31 December 2015, the Group had 27 banking subsidiaries and 68 independent non-executive directors (excluding our PLC Board independent non-executive directors). As the independent non-executive directors on our Board travel across the Group's footprint, they play a critical role in actively engaging with the banking subsidiary independent non-executive directors.

In 2015, Sir John Peace and Naguib Kheraj hosted calls with the subsidiary independent non-executive directors. Sir John focused on the strategic priorities and direction of the Group, performance, senior management changes and PLC Board succession. Naguib provided context on the work of the Audit Committee and the key areas for focus for the coming year.

We continue to maximise our online forum for the subsidiary independent non-executive directors so that we can share Group information and key messages on a timely basis. We continually look at ways to improve our model for engaging the subsidiary independent non-executive directors, in order that they remain well-informed and well-equipped to make decisions that are aligned to the Group's interests as well as to their local shareholders' interests.

Board committees

The membership of the committees has evolved during the year, to ensure that they continue to have the right skills and expertise to support the work of the Board. Full details of the committee composition changes made during the year can be found within each of the committee reports on pages 79 to 141.

The Chairs of a number of committees also changed during the year. Christine Hodgson succeeded Ruth Markland as Remuneration Committee Chair, following the 2015 AGM. Ruth remained on the Committee until she stepped down from the Board at the end of 2015, providing a well-managed and smooth handover. Jasmine Whitbread was appointed Chair of the Brand, Values and Conduct Committee on 1 January 2016 succeeding Paul Skinner, who stepped down from the Board at the end of 2015, following a detailed handover. David Conner was appointed a member of the Board Risk Committee on 1 January 2016 before succeeding Lars Thunell as Chair on 1 February 2016. Lars and David ensured a well-managed handover ahead of Lars stepping down from the Board on 31 January 2016.

The Board Financial Crime Risk Committee was established in January 2015. In its first year, the Committee has been very active, particularly in overseeing the Group's progress in achieving enhanced standards relating to the management of financial crime compliance and has provided valuable oversight in connection with the Group's financial crime compliance controls and procedures. An insight into this committee's focus during its first year, as well as details on the four external advisor members who provide essential input can be found on page 96.

The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them. As such, it remains critical that effective linkages are in place between the committees and the Board as a whole, not least because it is impractical for all independent non-executive directors to be members of all of the committees. An holistic approach has been taken with the committees to ensure that effective mechanisms exist to enhance these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each committees, overlapping membership between Board committees and facilitating regular interaction between the committee chairs.

1. The reorganisation of our business was implemented on 1 October 2015, and will be reflected in our 2016 Annual Report and Accounts

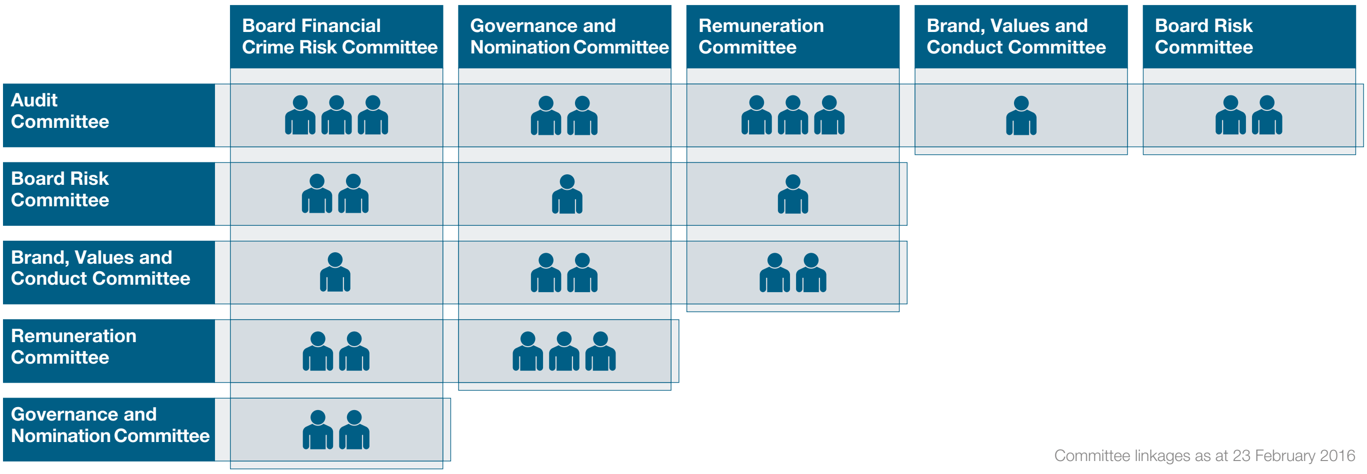
Alongside common committee membership, the Board receives the minutes or a written summary of each of the committees' meetings (with the exception of the Governance and Nomination Committee). During 2015, the membership of many of the committees has changed, incorporating fresh perspectives from newly appointed Board members balanced against the need to maintain stability.

The Board Risk Committee maintains Group-wide oversight of all risk types. Alongside this, each of the Board committees takes primary responsibility for relevant risk types. For instance, the Brand, Values and Conduct Committee has primary oversight of the approach by which reputational risk is managed. The Remuneration Committee oversees risk arising from remuneration. The Board Risk Committee has primary oversight of the way credit, capital, market, liquidity, operational, country cross-border and pension risk is managed, and the Audit Committee oversees the management of financial and internal controls. The Board Financial Crime Risk Committee oversees risk in the context of financial crime compliance.

The roles of each of the Board committees are described in more detail on pages 79 to 141.

As part of each director's tailored ongoing development, our independent non-executive directors are encouraged to attend meetings of committees of which they are not members, as another way for them to gain greater insight and understanding into the work undertaken and matters discussed by all of the committees.

Committee membership linkages



Committee linkages as at 23 February 2016

Audit Committee

Naguib Kheraj
Chair of the Audit Committee

Dear Shareholder

Through its work in 2015, the Committee has provided oversight on behalf of, and assurance to, the Board with regard to the quality and effectiveness of financial reporting on regulatory, compliance and internal audit matters.

In addition to the disclosure requirements relating to audit committees under the UK Corporate Governance Code 2014, the Committee's report sets out the areas of significant and particular focus for the Committee over the course of the year. Such areas have included impairment on loans and advances, goodwill impairment testing and valuation of financial instruments, and the impact of the Strategic Review. The Committee has also had deeper discussions on the enhancements to specific areas of the Group's control environment and the Group's compliance under the requirements of the Volcker Rule. This report also sets out how the Committee reached a position whereby it was satisfied that the disclosures made in the Annual Report and Accounts meet the test of the 'fair, balanced and understandable' statement made by the Board, and how the Committee has satisfied itself as to the quality of the audits conducted by the Group's statutory auditors and by its Group Internal Audit function.

The Committee has also spent time discussing the control environment and operational risk. There is an overlap between the work of the Audit Committee and the Board Risk Committee. While the Board Risk Committee has considered issues relating to operational risk management, the Audit Committee has considered the issues from a practical point of view. To gain greater insight into the lessons learned from operational risk, the information provided by Group Internal Audit has been refined so as to increase the concentration on actions being taken to address weaknesses and ensuring that there is clear accountability for actions required to be followed up to close audit findings. One of the observations made as part of the 2014 Committee Effectiveness Review was that in discussing audit findings, explanation tended to be provided by those in control functions rather than line management responsible for the activity. During 2015, this has been addressed by inviting line management to be present when issues are being discussed so as to enable greater engagement between operational management and the Audit Committee.

As Committee Chair, I was involved in the selection and appointment of the Group's new Group Head of Internal Audit following her predecessor's appointment to another role within the Group.

During the course of the year, there have been changes to the Committee's composition. Ruth Markland and Lars Thunell stepped down from the Committee on 6 May 2015 and 31 January 2016 respectively. I would like to thank Ruth and Lars for their valuable contributions to the Committee.

David Conner joined the Committee on 1 January 2016. David has significant global banking experience, strong risk-management credentials and an in-depth knowledge of Asian markets.

Naguib Kheraj
Chair of the Audit Committee

Who sits on the Audit Committee

	Scheduled meetings
N Kheraj (Chair)	6/6
D P Conner (appointed 1 January 2016)	N/A
C M Hodgson	6/6
Dr B E Grote	6/6
Directors who stepped down during 2015/2016	
R Markland (stepped down 6 May 2015)	2/2
Dr L H Thunell (stepped down 31 January 2016)	6/6

Other attendees at Committee meetings in 2015 included: Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group Head of Internal Audit; Director, Compliance, People and Communication; Group General Counsel; Group Head, Legal and Compliance; Group Company Secretary; Group statutory auditors.

As part of, and in addition to, each scheduled Committee meeting, the Committee has private members' only meetings.

The Committee has written terms of reference that can be viewed at sc.com. They include all the material points recommended under the UK Corporate Governance Code

The Committee's composition and role

The Committee members have detailed and relevant experience. The Board is satisfied that Christine Hodgson has recent relevant financial experience and that all the other Committee members have board experience and knowledge of financial reporting and international business. Details of their experience can be found on pages 62 to 65. All the Committee members are independent.

The overlapping membership between the Committee and the Board Risk, Remuneration, Brand, Values and Conduct and Board Financial Crime Risk Committees is one of the mechanisms for ensuring that the linkage between the Audit Committee and other Board committees avoids gaps or unnecessary duplications between the remit of each committee.

The Committee's role is to review, on behalf of the Board, the Group's internal financial controls. It is also responsible for oversight and advice to the Board on matters relating to financial reporting and has exercised oversight of the work undertaken by both Group Internal Audit and the Group's statutory auditor, KPMG LLP (KPMG).

Financial reporting

The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Group's financial statements and any formal announcements relating to the Group's financial performance, reviewing any significant financial reporting judgements contained in them.

Group Finance issues detailed instructions and guidance on reporting requirements to all reporting entities within the Group in advance of each reporting period end. These are followed up by an extensive dialogue between Group Finance and the reporting units on any new requirements, clarifying understanding and ensuring consistency in reporting. Much of the processing and related control activities are carried out in the Group's three main processing hubs and this helps drive efficiencies and consistency in the control environment. The interaction between country reporting teams and the centralised hubs is subject to a process of evaluation. Where specialist skills or judgement are required, such as credit impairment, financial instrument valuation, goodwill assessment, evaluation of significant legal cases and pension-related calculations, centralised teams manage the activity and work with the relevant country teams. The submission of financial information from each reporting entity to Group Finance is subject to certification by the responsible in-country chief financial officer, and analytical review procedures are carried out both in-country and at Group level.

The Committee received reports from Group Finance on changes in accounting standards and disclosure requirements and on significant accounting issues at each reporting period, including taxation. The Committee was satisfied that the Group's policies and practices are appropriate. During the year, the Committee received reports from Group Finance on implementing IFRS 9 *Financial Instruments*, effective from 1 January 2018. These reports covered project governance, key risks, the implementation approach as well as the expected funding requirements. The Committee was made aware of the change to the accounting requirements for classification and measurement of financial assets and the new expected credit-loss impairment provisioning approach and the enhanced hedging requirements required by IFRS 9.

The Committee received detailed reports from specialist functions such as Group Internal Audit, Group Risk and Group Legal. The Committee also received reports and updates from KPMG. This year, KPMG has focused particularly on credit, valuation, goodwill and restructuring costs. The Committee is therefore made aware of all materially relevant issues that have concerned management during the year.

For the 2015 Annual Report and Accounts, the Committee paid particular attention to the following issues:

- Impairment of loans and advances
- Valuation of financial instruments
- Goodwill impairment testing
- Impact of the Strategic Review, including restructuring costs

Impairment of loans and advances

The net charge to the income statement in respect of impairment losses on loans and advances and other credit risk provisions for the year ended 31 December 2015 is $4,976 million. Throughout the year, the Committee requested and received information on specific names and industries based on its assessment of the external environment, developments in footprint markets and areas identified in discussions with the Board Risk Committee. There is some common membership across the Audit Committee and the Board Risk Committee with the Chair of the Audit Committee being a member of the Board Risk Committee and vice versa. This ensures that, in addition to an assessment of current adequacy of provisions, the Committee is also afforded a forward-looking view on potential risks and their impact. The Committee also receives reports from management at each reporting period, detailing, among other things, the composition of the loan book, provisioning levels and cover ratio by client segment, and the judgement exercised around the individual and portfolio impairment provisions.

In 2015, this covered the following key areas:

- In Corporate & Institutional Clients and Commercial Clients, major individual provisions were assessed for adequacy through a review of the assumptions underpinning possible recovery options and related cash flows. For certain significant exposures in the performing book, particularly those graded credit grade 12 and managed by Group Special Asset Management, the Committee was briefed on business plans, management assessment of the recoveries and collateral available. Trends in 'early alert accounts' (see Risk overview on pages 156 to 160) were shared and the concentration of exposures in certain sectors such as Commodities and geographies such as China and India were analysed in further detail (see pages 156 to 160 in Risk overview)
- In Private Banking, provisions are assessed on an individual basis. Loan impairment increased to $94 million following an impairment provision relating to a single client case
- In Retail Clients, where provisions are assessed more on a collective basis (other than for mortgages), an analysis by products and geographies was provided with related delinquency trends. The Committee also continued to gain comfort from the fact that the Retail loan book is predominantly secured and the loan-to-value ratio on the mortgage book remains low at 49 per cent

The Committee has discussed impairment with management and the auditors, and considers the provisions held within each of the client segments to be appropriate.

Valuation of financial instruments

The Committee receives reports at each reporting period, detailing the valuation process (which is undertaken by a unit independent of the business); the amounts reserved to cater for model and projection risks, which cover both Level 2 and Level 3 assets; and the significant valuation judgements in respect of Level 3 instruments.

The judgements in relation to the valuation of financial instruments are more subjective in respect of Level 3 assets, where the value is based on models that use a significant degree of non-market-based inputs. For the Group, the quantum of such assets is very low; of the $198 billion financial assets held at fair value as at 31 December 2015, only $3 billion, or 1.5 per cent, was Level 3.

In addition, the Group enhanced its inputs into the methodology utilised for estimating derivative credit and funding valuation adjustments, to bring them more in line with market practice. The estimates now utilise more market-implied default probabilities and external funding rates rather than expected loss calculations based on historical default probabilities and internal funding rates.

The net effect of this change in estimate amounted to additional charges of $863 million. The Committee considered the underlying changes that were proposed and agreed the changes were reasonable.

Goodwill impairment testing

The total goodwill carried on the balance sheet as at 31 December 2015 is $3,616 million and, based on the review of forecasts and assumptions by management, the Committee considers that, other than as noted below, the headroom available is sufficient to support the carrying value. The Group undertakes its annual assessment of goodwill impairment as at 30 September each year and the Committee receives a detailed paper outlining the forecasts used for determining cash flows, the basis of the assumptions used (including any change from previous years), headroom availability and sensitivities of the forecasts to reasonably possible changes in assumptions. Additionally, for each interim and year-end reporting date, an update is also provided to the Committee, in particular for cash generating units (CGU) where the goodwill held is either material or more prone to pressure in a stress scenario. In 2015, the Committee focused in particular on the goodwill impacted by the Strategic Review announced on 3 November 2015.

As at 31 December 2015, management identified a shortfall between the value-in-use and the carrying amounts of the Thailand and Taiwan CGUs and proposed a total impairment of $488 million in respect of the goodwill associated with both CGUs. The Taiwan impairment of $362 million arose principally from a slowdown in the local market and the impact on projected cash flows. Thailand impairment of $126 million arose as a consequence of management actions to reposition the business following the Strategic Review and has been classified as Restructuring.

The Committee reviewed the forecasts and the assumptions used to derive them and agreed that the proposed impairment charges were reasonable. Further details can be found in note 25 on page 294.

Impact of the Strategic Review

The Group announced its Strategic Review on 3 November 2015. The Committee considered:

- The extent to which restructuring provisions can be recognised and attributed to the Strategic Review, and the measurement of any recognised provisions
- Whether certain non-current assets should be reclassified as held for sale
- Impairment charges or revaluations arising from Strategic Review actions
- Whether the level of disclosure required in the Annual Report and Accounts is fair, balanced and understandable

The Committee reviewed management's judgements, including the assumptions behind them, and are satisfied that these are reasonable. The Committee has reviewed the related disclosures and consider them to be appropriate.

Disclosures

The Committee discussed the proposed disclosure within this year's Annual Report and Accounts arising from:

- Alignment to best practice through the application of the BBA Code for Financial Reporting Disclosure
- Bilateral discussions between the UK Prudential Regulation Authority (PRA) and the BBA, which inform best practice included in the BBA code noted above
- UK Corporate Governance Code change in the context of the Viability statement

The Committee reviewed and discussed the Group's Pillar 3 Disclosures and the main changes from the previous period including countercyclical capital buffer, leverage ratio, interest rate risk in the banking book and encumbered assets.

The Committee also considered the impact of the following:

- Guidelines issued by the European Banking Authority in December 2014 on materiality, proprietary and confidentiality and on disclosure frequency under Part Eight of the Capital Requirements Regulation
- Standards for revised Pillar 3 disclosure requirements issued by the Basel Committee in January 2015 which set out the first phase of the review

Fair, balanced and understandable

The Committee has reviewed and monitored the appropriateness and completeness of the published financial statements of the Group. In light of the deliberate management actions taken, the Committee has paid particular attention to the formal announcements relating to the Group's financial performance, significant financial reporting judgements and estimates made by the Group. On behalf of the Board, the Committee has considered, and has satisfied itself, that the processes and procedures in place ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The statement is underpinned by the Committee's, and the Board's, belief that the Annual Report and Accounts does not exhibit any bias; that all important elements have been disclosed; and that the descriptions of the Group's business as set out in the strategic report are consistent with those used for financial reporting in the Group's financial statements.

In making its assessment, the Committee applies its accumulated knowledge and experience from Board meetings, engagement with management throughout the year and from access to management performance information.

Key judgements and the significant issues reported are consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements on page 242.

When it has been necessary to use specialist terms, these have been defined for clarity and consistency in the Glossary on pages 353 to 356.

As part of the Committee's year-end discussions, consideration was given to the Going concern and Viability statements, further details of which can be found on page 142.

Oversight of internal controls

The Committee has considered reports in respect of the control environment in the Group's businesses.

The Committee discussed control environment issues, their root causes and management's responses and remediation activities. On a regular basis, the Group Internal Audit Report provides the Committee with Group Internal Audit's view of the system of internal controls across all risk types, business and country functions. In addition, the Committee is provided with an audit issues map which highlights the most significant matters being monitored by Group Internal Audit and items of thematic interest which have arisen as part of audits and which warrant the Committee's attention. Alongside this report, the Committee is also provided with the Group Internal Audit Information Report, which provides the Committee with additional information on significant areas referred to in the Group Internal Audit Report. It contains management actions to address items included on the audit issues map, summarises the audit completed over the course of the year and overdue high-risk issues identified in audits since the last Group Internal Audit Information Report to the Committee.

During the course of the year, for those most significant matters being monitored by Group Internal Audit which appear on the audit issues map, business and/or regional management have been invited to attend Committee meetings to provide updates on the steps being taken to enhance the control environment and address internal audit findings with a specific focus on credit controls.

At the Committee's request as a result of internal audit findings, specific deep dives into the Group's Private Bank and Pakistan control environments were undertaken. In relation to these, the Committee considered the residual risk profile based on key control indicators, discussed recent adverse events and the control enhancement programmes being rolled out across both the Private Bank and in Pakistan.

In addition to reporting to the Audit Committee, Group Internal Audit provides the Board Risk Committee with a summary of Group Internal Audit's appraisal of controls across key risks subject to the Committee's oversight.

The Committee also considered a report from KPMG on the Group's control environment and management's responses to the findings together with proposed timelines for addressing the findings.

Interaction with regulators

Together with the chairs of the audit committees of UK banks, building societies and insurers, Naguib Kheraj met with the Bank of England. Byron Grote also attended one of these discussions. In addition, as Committee Chair, Naguib spoke at the PRA Regulatory College and held discussions with the PRA, the New York Department of Financial Services, and the Reserve Bank of India. Together with Christine Hodgson and Lars Thunell, Naguib also met with the Federal Reserve Bank of New York.

Speaking Up policy

The Group's Speaking Up policy allows our employees to raise, in confidence, any concerns that they may have about possible improprieties in matters of financial reporting or other areas. The Legal and Compliance Management Information Report provides the Committee with data relating to business referral and Speaking Up cases broken down into type of allegation. The Report also advises the Committee of the number of any disciplinary actions that have arisen as a result of business referral and speaking up cases, together with a regional breakdown across the Group's footprint of the main investigative type. The information enables the Committee to consider whether there are any trends across the Group's markets in terms of the type and nature of Speaking Up incidences together with the resolution and consequences.

Significant investigations and material disputes

As part of routine reporting, the Committee has received an overview of internal investigations referred to the Compliance Investigations team in 2015 and summaries of the most significant internal investigations underway. In 2015, those investigations that relate to financial crime have been reported to the Board Financial Crime Risk Committee following its establishment on 1 January 2015.

The Committee has also received summary overviews of material disputes and significant cross-border orders facing the Group and the action taken to manage and mitigate risk arising from them.

Group Internal Audit and Group Compliance

The Committee has reviewed the resourcing and proposed work plans for both the Group Internal Audit and Group Compliance functions, and is satisfied that both are appropriate in light of the proposed areas of focus, expertise and skill that are required within both functions, given the current regulatory environment. The Committee is also satisfied with the independence of the Group Internal Audit function. In addition, Naguib Kheraj had regular meetings with the Group Head of Internal Audit in 2015.

Towards the end of 2014 and the beginning of 2015, EY conducted a gap analysis of Group Internal Audit's processes against the Global Institute of Auditors' Standards (the Standards). This gap analysis was part of a periodic update following their effectiveness review in 2013. The Committee discussed the findings of EY's report which reported known and minor exceptions to the Standards.

As part of Group Internal Audit's ongoing process improvements, Deloitte performed a review of Group Internal Audit's risk assessment process in order to ensure that Group Internal Audit maintains best practice. While no significant shortcomings were identified, certain efficiencies were suggested which would not compromise the integrity of the process. Following Deloitte's recommendations, the Committee was advised of the proposed changes ahead of the Group's 2016 Risk Assessment exercise which commenced in the second half of 2015.

The Committee monitored and assessed the role and effectiveness of the Group Internal Audit function. This included reviewing and monitoring Group Internal Audit's progress against its annual audit plan and the review and monitoring of post-audit actions. The Committee also reviewed and approved Group Internal Audit's Charter.

With the exception of the year-end focused meeting, at every scheduled meeting the Committee receives a Legal, Compliance and Regulatory Report. This report provides a summary of significant legal, compliance and regulatory risks facing the Group, and key actions being taken to address or mitigate them. It is accompanied by The Legal and Compliance Management Information Report, which in addition to Speaking Up, includes the legal risk map which highlights the most significant matters being monitored by Legal and Compliance, key regulatory programme updates, significant compliance and regulatory issues and a regulatory relationship scorecard. In addition to receiving this information, twice a year the Committee receives a material disputes report. In 2015, the Committee also requested a specific report on managing regulatory reform and updates on the Group's state of readiness for compliance with the Volcker Rule (Volcker) and regulations. So as to gain greater insight into the Group's state of readiness for Volcker compliance, as part of the overseas Board meeting in Washington, DC, Committee members also met with PwC who had been engaged to assist in the delivery of the Volcker compliance programme.

Group statutory auditor

The Committee has exercised oversight of the work undertaken by KPMG throughout the year. As Committee Chair, Naguib met with local audit partners in India. In addition, and in response to one of the findings of the 2014 Audit Committee effectiveness review, KPMG's local regional partners from the UAE, Singapore, India and Hong Kong attended Committee meetings. Such interaction enables the Committee members to gain greater insight of the challenges faced in the Group's markets from a statutory audit perspective. It provides the local regional partners' assessment of the Group's control systems and infrastructure in their markets, the quality of the Group's management from a control perspective and a benchmark of the Group's control environment against local and international peers. They also provided the Committee with insight into local regulatory developments and the Group's standing and relationships with regulators in the country.

The Committee has discussed the business and financial risks with KPMG and has sought and received assurance that these risks have been properly addressed in the audit strategy and plan, which have been reviewed by the Committee. The Committee has enquired, and is satisfied, that KPMG has allocated sufficient resources to address these risks. The Committee has sought and received assurance that no undue pressure has been asserted on the level of audit fees to ensure that there is no risk to audit work being conducted effectively and independently.

In accordance with The Auditing Practices Board requirement, the lead audit engagement partner was rotated in 2015, having held the role for five years. The new lead audit engagement partner has a background of auditing banks and understands the markets in which the Group operates.

The Company complies with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. A tender for audit services was last conducted in 2013, following which KPMG were appointed as the Group's statutory auditor. Before the audit tender took place, KPMG had been the Group's statutory auditor for over 25 years and has regularly rotated its lead partner.

A review of the performance and effectiveness of KPMG is conducted on an annual basis. This review includes an assessment of their independence and objectivity. The review was performed jointly by Group Internal Audit and Group Finance and took the form of a structured survey which was sent to Committee members, the chairs of the Group subsidiary audit committees, the Group's Management Team, country chief executive officers, regional/country chief financial officers, members of the Group Finance Leadership Team and country heads of audit. The results of the survey were discussed by the Committee. Overall, it was felt that KPMG is considered to be effective, objective and independent in their role as Group statutory auditor.

KPMG's audit fees for 2015 were presented in the context of the audit tender as negotiated by the Committee and adjusted for current changes in the size of the Group.

Non-audit services

In 2015, the Group spent $8.8 million on non-audit services provided by KPMG.

The Group's policy on the award of non-audit services to auditors (the Policy) explicitly states that the auditors should only be used when there is evidence that there is no alternative in terms of quality and cost, whether knowledge and experience of the Group is required to deliver an efficient and effective solution or where they are required to be used by regulatory requirements. The Policy clearly sets out the criteria for when the Committee's prior written approval is required.

Further details on non-audit services provided by KPMG can be found in note 8 on page 260. Further information on the Group's approach to non-audit services can be found on page 149

Linkages between the Committee and subsidiary Board audit committees

While being mindful of the need to not adversely impact the independence of the Group's subsidiary audit committees, there are documented processes in place that define the linkages between, and roles of, the Audit Committee and the audit committees of subsidiary companies. Another way in which the Committee strives to ensure appropriate linkages between the Committee and the Group's subsidiary audit committees is by holding an annual call hosted by Naguib as Committee Chair and attended by the chairs of the subsidiary audit committees. In 2015, the Group Head of Internal Audit, Group Head of Legal and Compliance, Deputy Group Chief Financial Officer and lead audit partner of the Group's statutory auditor also participated on the call. This call provides the opportunity to share, among other things, the Committee's priorities for the year ahead and to discuss ways in which the linkages between the subsidiary audit committees and the Committee can be further strengthened and enhanced without comprising independence.

Ongoing training and development

As detailed on page 74 and as part of the independent non-executive director engagement and ongoing development plans, for those independent non-executive directors who are members of the Committee, a joint session was held with the Board Risk Committee on credit valuation adjustment and prudential valuation adjustment.

Committee effectiveness review

In keeping with the approach to Committee effectiveness reviews adopted by other Board committees, in 2015 an internally facilitated effectiveness review was conducted. This review, facilitated by Group Corporate Secretariat, involved each committee member providing their thoughts on the Committee's effectiveness. The feedback was then formally discussed by the Committee and an action plan designed to address the key observations.

Board Risk Committee

David Conner
Chair of the Board Risk Committee

Dear Shareholder

I joined the Board and Board Risk Committee on 1 January 2016 and following a well-managed handover, succeeded Lars Thunell as Chair on 1 February 2016. I would like to express my gratitude to Lars for his Chairmanship of the Committee since April 2014.

The Group manages enterprise-wide risks through its risk management framework, with the objective of maximising risk-adjusted returns while remaining within the Group's risk tolerance.

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

Challenging geo-political and economic headwinds and volatility presented a difficult context for risk management in 2015.

For the Board Risk Committee to be truly effective, it needs to be forward looking. Consideration continues to be given to what information needs to be provided to the Committee on the Group's current risk position as well as the evolving risk environment.

The Committee receives regular reports on risk management, including 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 Committee also has deeper discussions on a rolling basis on different sections of a consolidated risk information report that is provided at each scheduled Committee meeting. The following pages provide an overview of the Committee's activities in 2015. An overview of the Group's risk profile is set out on pages 161 to 199 and our approach to risk management is set out on pages 204 to 217.

In discharging its responsibilities, the Committee has sought, and has received, assurance regarding the independence of the Group's Risk function in its role of maintaining the Group's risk management framework, upholding the overall integrity of the Group's risk/return decisions and exercising direct risk-control ownership for credit, market, country cross-border, short-term liquidity and operational risks.

The Committee's composition has evolved during the course of the year. In addition to Lars stepping down from the Committee, Paul Skinner stepped down on 31 December 2015, and I would like to thank Paul for his valuable contributions to the Committee. Gay Huey Evans joined the Committee on 16 June 2015. Gay has extensive banking and financial services experience, and significant commercial and UK regulatory and governance experience.

David Conner
Chair of the Board Risk Committee

Who sits on the Board Risk Committee

	Scheduled meetings	Ad hoc meetings
D P Conner (Chair)[1] (appointed on 1 January 2016)	N/A	N/A
O P Bhatt	6/6	1/1
G Huey Evans, OBE (appointed on 16 June 2015)	4/4	N/A
N Kheraj	6/6	1/1
Directors who stepped down during 2015/2016		
O H J Stocken, CBE (stepped down on 28 February 2015)	2/2	N/A
P D Skinner, CBE (stepped down on 31 December 2015)	6/6	1/1
Dr L H Thunell (stepped down on 31 January 2016)	6/6	1/1

Other attendees at Committee meetings in 2015 included:
Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group Head of Internal Audit; Group Company Secretary; Group Treasurer; Group statutory auditors

As part of, and in addition to, each scheduled Committee meeting, the Committee has private members-only meetings.

The Committee has written terms of reference that can be viewed at sc.com

1. David Conner was appointed Committee Chair on 1 February 2016

The Committee's role

The Committee's composition reflects the Group's belief that it should comprise members with a deep and broad experience of banking and of the risk factors affecting it. Further details of the Committee members' experience can be found on pages 62 to 65.

The Committee has assessed the effectiveness, resourcing and independence of the Group's risk function. As Committee Chair, Lars Thunell was involved in the process to appoint both the interim Group Chief Risk Officer and Mark Smith, who joined the Group as Group Chief Risk Officer on 25 January 2016.

To guard against gaps or unnecessary duplication between Board committees, throughout 2015, there was overlapping membership between the Committee and the Audit, Remuneration, Brand, Values and Conduct and Board Financial Crime Risk Committees.

The Committee's role is to exercise oversight on behalf of the Board of Group-wide risk, and to provide assurance to the Board that the overall framework for complying with the Risk Management Principles and Risk Tolerance Statement is operating effectively. In the few instances where it does not have primary oversight for a given type of risk, the Committee interacts closely with the other Board committees where the remits of those other committees clearly cover risk-related issues. For example, the Audit Committee has oversight of the Group's internal financial controls; the Remuneration Committee has oversight of the risks relating to remuneration; the Board Financial Crime Risk Committee has oversight responsibilities in relation to financial crime compliance matters; and the Brand, Values and Conduct Committee has oversight of the mechanisms by which reputational risk is managed. This interaction assists the Committee in ensuring that it is well informed on discussions held, and the close collaboration of the Committee Chairs helps to ensure that there are no gaps and any potential for unnecessary duplication is avoided.

In carrying out its responsibilities, the Committee is closely supported by the Group Chief Risk Officer, Group Chief Financial Officer, Group Head of Internal Audit and Group Treasurer.

Risk information provided to the Committee

The Committee tracks a wide range of risk metrics through a risk information report. This report is provided at each scheduled Committee meeting and provides an overview of the Group's risk profile against the Group's risk tolerance. For example, the report provides an overview of credit risk in the Group's Corporate & Institutional, Commercial, Private Banking and Retail Clients portfolio.

A report from the Group Chief Risk Officer is also presented at every scheduled meeting. These reports cover the macroeconomic environment, geo-political outlook, material exposures and ongoing risks. In addition to these regular reports, at every scheduled meeting, the Committee also receives a report from the Group Treasurer, which covers market developments, liquidity, capital, recovery and resolution planning, and rating agency updates.

At every scheduled meeting, the Committee also receives a regulatory update in relation to capital, liquidity and risk. This provides a summary of the key prudential regulatory developments affecting the Group's capital, risk-weighted assets and liquidity measures. Such information enables the Committee to discuss with management the major risks faced by the Group across its businesses.

In 2015, the Committee has had deeper discussions on the following topics:

- Commodities and energy
- Cyber security
- Operational risk – Financial Markets, Private Banking and Corporate & Institutional Clients
- Aircraft
- Group Special Asset Management
- Basel Committee on Banking Supervision Risk Data Aggregation and Reporting requirements

As part of the overseas Board meeting held in Delhi in March 2015, the Committee met with local management and discussed the challenges, opportunities, risks and mitigants in relation to risk management in India.

Twice a year, the Committee receives a report from the Group Head of Internal Audit. These reports provide the Committee with a summary of Group Internal Audit's appraisal of controls across key risks subject to the Committee's oversight, together with the key risk issues identified by Group Internal Audit's work and management actions put in place to address the findings.

A separate report to the Audit Committee provides Group Internal Audit's view of the system of internal controls across all risk types, business and country functions.

The Committee is authorised to investigate or seek any information relating to any activity within its terms of reference.

The Committee focused on the following matters at its meetings in 2015:

Risk management framework and principles

As noted above, the Group's risk management framework provides the architecture for the overall management and control of all risks and for the implementation of the risk management principles. The Group's Code of Conduct sets the standards for individual behaviour.

Risk management principles are top-level statements of principle that inform the Group's overall approach to risk management and the Group's risk culture.

Further details regarding the risk management framework and principles can be found on page 204 of the Risk and capital review

Risk tolerance

Every year, the Committee pays careful attention to the formulation of the Group's Risk Tolerance Statement, in order to assure itself that it is effective in setting appropriate boundaries in respect of all main risk types. The Group's Risk Tolerance Statement defines the maximum level of risk the Group is ordinarily willing to take in pursuit of its strategy, in accordance with its risk principles. Risk tolerance constrains risk to the levels where the potential for any financial or reputational damage is consistent with the sustained pursuit of strategy and in line with the reasonable expectations of stakeholders. On behalf of the Board, the Committee reviews a range of risk tolerance assessments and stress tests which consider alignment with the Group's tightened Risk Tolerance Statement.

Risk tolerance covers credit and country cross-border risk, capital and earnings volatility, market risk, liquidity risk, operational risk, reputational risk and pension risk.

Through its risk management framework, the Group manages enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within the Group's risk tolerance.

Further details regarding the Group's Risk Tolerance Statement can be found on pages 25 to 26 of the Strategic report and page 206 of the Risk and capital review

Capital and liquidity

On a frequent basis, the Committee considers and discusses the Group's capital and liquidity position and the regulatory environment and expectations. The Committee has considered the Group's Individual Liquidity Adequacy Assessment which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due. The Committee reviews the liquidity risk stress testing framework and assumptions together with the liquidity risk tolerance statement. With regard to capital, the Committee reviews the Group's Internal Capital Adequacy Assessment in detail in order to satisfy itself that the Group's approach to capital planning is comprehensive, rigorous and consistent with both the current regulatory requirements and the likely anticipated outlook.

Further details concerning capital can be found on page 218 and liquidity can be found in the Risk and capital review on page 156

Stress testing

The Committee tracks a wide range of risk metrics that are also periodically reported to the Board. Stress testing and scenario analysis are used to assess the financial and management capability of the Group to continue to operate effectively under extreme but plausible trading conditions.

The Committee maintains oversight of the Group's overall stress-testing programme, reviewing the design, key assumptions and the outcomes of principal tests. The Committee reviewed the results of the Bank of England stress test which the Group, along with the largest UK banks, was required to undertake.

Further details of stress testing can be found on page 207 of the Risk and capital review

Operational risk

The Group's operational risk tolerance approach aims to control operational losses (finance and reputational) so that they do not cause material damage to the Group's franchise.

The Committee has received summaries of the Group's operational risk profile, measures relating to operational risk tolerance thresholds, and updates on risks facing the Group and action being taken or to be taken to mitigate them, such as business restrictions.

More details concerning the Group's approach to operational risk can be found on pages 197 and 214 of the Risk and capital review

Risk management disclosures

The Committee has reviewed the risk disclosures in the Annual Report and Accounts and the Half Year Report and has reviewed and approved the disclosure on the work of the Committee. In reviewing the operational risk disclosures made in this year's Annual Report and Accounts, the Committee has taken into consideration The Financial Stability Board's guidelines on principles and recommendations on disclosures contained in the 'Enhancing the Risk Disclosures of Banks' report issued by the Enhanced Disclosure Task Force in October 2012. In conjunction with the Audit Committee, the Committee also reviewed the Basel II Pillar 3 annual disclosure.

Committee reporting to the Board

The Board received minutes of Committee meetings. There has also been formal periodic risk reporting to the Board in 2015 on risk issues, an overview of the Committee's main areas of focus from the Committee Chair, and the discussions held by the Committee in relation to the half and full year results.

Interaction with management

On a regular basis, the Committee Chair met individually with the Group Chief Risk Officer. These meetings allow open discussion of any matters relating to issues arising from the Committee's formal discussions.

Interaction with regulators

The Committee met with one of the Group's UK lead regulators, the Prudential Regulation Authority (PRA). The purpose of the meeting was to enable a discussion between the Committee and the PRA concerning prudentially focused topics such as the PRA's view of the Group's risk management framework and risk tolerance statement.

Ongoing training and development

As part of the independent non-executive director engagement and ongoing development plans, as detailed on page 74, for those independent non-executive directors who are a member of the Committee, a joint session was held with the Audit Committee on credit valuation adjustment and prudential valuation adjustment.

Committee effectiveness reviews

In keeping with the approach to Committee effectiveness reviews adopted by other Board committees, in 2015, an internally facilitated effectiveness review was conducted. This review, facilitated by Group Corporate Secretariat, involved each Committee member providing their thoughts on the Committee's effectiveness. The feedback was formally discussed by the Committee and an action plan has been designed to address the key observations.

Brand, Values and Conduct Committee

Jasmine Whitbread
Chair of the Brand, Values and Conduct Committee

Dear Shareholder

This is my first report as Chair of the Brand, Values and Conduct Committee, having succeeded Paul Skinner on 1 January 2016. Sincere thanks are due to Paul for his leadership as Chair of the Committee since its inception in 2010. I would also like to thank Byron Grote for his valuable contribution until stepping down from the Committee in June 2015.

It has been important for the Committee to maintain momentum during this past year of significant change and challenge for the Group, internally and externally, when a focus on our brand, values and conduct was never more important.

Good conduct remains a key priority for the Group, and the Committee dedicated considerable time to examining the progress being made in delivering the Group's Conduct Programme. We reviewed how the refreshed Group Code of Conduct is being communicated and embedded throughout the Group and monitored the progress against My Voice employee engagement action plans. The Committee sought evidence of commitment from employees at every level to strengthen the Group's compliance culture.

At each meeting, the Committee reviews the Group's reputational risk exposure, including an analysis of the material reputational risks facing the Group, as well as the strategies in place to protect the Group's internal and external reputation. In May 2015, the Committee, along with members and external advisor members of the Board Financial Crime Risk Committee, met with representatives of the Financial Conduct Authority (FCA) to discuss best practice in the area of conduct risk.

The Group's approach to sustainability was discussed, taking on board lessons learnt during the year, including through our engagement with civil society groups. The Committee will return to this in 2016, in light of the new strategy.

The Committee continued to oversee the evolution of the Group's brand and marketing initiatives, with a consistent drive to ensure that the Group maximises return on investment. This included reviewing the value of our Liverpool Football Club sponsorship and the Group's recent commitment to Project Everyone, a worldwide project under the auspices of the United Nations, which aspires to communicate the newly agreed Sustainable Development Goals to seven billion people. In March 2015, during the Board's visit to Delhi, the Committee conducted an in-depth review of the Group's local brand positioning and sustainability issues.

The Committee continued to review the Group's position on community engagement, with significant levels of high-quality skills-based employee volunteering. We are keen to assess the impact of this investment over time.

Dovetailing our business with other committees and with the Board remains an important element of our work. This is particularly the case in our oversight of government and regulatory relationships. This year, we were asked by the Audit Committee to examine the Retail Clients complaint management and governance process and, more generally, we will benefit from a client-oriented perspective.

At the end of the year, we undertook a review of our effectiveness as a Committee to identify where improvements could be made. We are using conclusions to inform our agenda for the year ahead. In light of this, we have supported the Group's Strategic Review of our Here for good brand promise since inception, and have planned a deep look at culture across the Group. More broadly, with the new business strategy, direction and Management Team guiding the Group, we will want to ensure a realignment of the Committee's agenda to ensure maximum coherence and value-add to the business.

Jasmine Whitbread
Chair of the Brand, Values and Conduct Committee

Who sits on the Brand, Values and Conduct Committee

	Scheduled meetings
J M Whitbread (Chair)[1] (appointed on 1 September 2015)	2/2
Dr K Campbell	4/5[2]
Dr Han Seung-soo, KBE	5/5
C M Hodgson	5/5
Directors who stepped down during 2015/2016	
P D Skinner, CBE (stepped down on 31 December 2015)	5/5
Dr B E Grote (stepped down on 16 June 2015)	3/3

Other attendees at Committee meetings in 2015 included:
Group Chairman; Group Chief Executive; Deputy Group Chief Executive; Director, Compliance, People and Communication; Group Company Secretary; Group Head of Corporate Affairs

The Committee has written terms of reference that can be viewed at sc.com

1. Jasmine Whitbread was appointed Chair of the Committee on 1 January 2016
2. Dr Kurt Campbell was unable to attend one meeting due to medical reasons

Committee composition and role

The Committee's membership is made up of a number of directors who have significant experience and knowledge of a combination of geo-political relations, sustainability matters, international and government relations. The biographies of the Committee members are set out on pages 62 to 65.

The Committee provides oversight of the Group's brand, conduct, culture and values, reputational risk, government and regulatory relations and sustainability issues.

Brand

The Committee reviewed the realigned strategic approach to leverage the Group's sponsorships, to drive brand recognition and also create bespoke assets and events to deepen client relationships in the Group's core markets. In this vein, the Committee supported the Group's continued sponsorship of Liverpool Football Club (LFC) to drive brand salience by intensifying digital and social media collaboration with LFC. The Committee remains supportive that the Group's brand strategy is aspirational and demonstrates, via all communication channels, that Standard Chartered is a committed and knowledgeable partner to its clients, markets and communities.

The Committee supported the Group's participation in Project Everyone and discussed the critical benefits it would bring for society globally and for the Group. In discussing the breadth of themes that the 17 Sustainable Development Goals covered, the Committee agreed that it was essential to focus on the Sustainable Development Goals that were of particular relevance to the Group, its markets and clients. The Committee noted the plans in place to leverage the Group's sponsorship of LFC to disseminate the Sustainable Development Goals, including during the football match between LFC and Aston Villa on 26 September 2015, when the LFC football shirt featured the Sustainable Development Goals logo.

The Committee conducted a thorough review of the Group's two-year sponsorship (2015/2016) of the EY Entrepreneur of the Year Programme (a global annual awards programme that honours top entrepreneurs for their contributions to the economy and society). Furthermore, it continued to review the LFC sponsorship, assessing the Group's prime objectives of this sponsorship and analysing the fee structure, which aligns well to the Group's 'pay for performance' culture. The Committee emphasised the importance of measuring and demonstrating the value derived from this significant sponsorship, which is of particular relevance in Asian markets, in light of the economic environment and current headwinds.

The Committee continues to support the use of brand and marketing measurement tools, which has been evidenced by the Group's focus on the use of the Return on Marketing Investment (ROMI) technique in Retail Banking, which the Committee has assessed with a view to quantifying benefits and optimising spend. The ROMI methodology was initially rolled out in three pilot countries (Hong Kong, Singapore and India). It is proposed that three more countries are added in 2016 (the UAE, Kenya and Korea). ROMI insights are being incorporated into plans to improve marketing effectiveness. Furthermore, as a direct result of the Committee's feedback, the ROMI technique and capability was brought in-house from the external provider, enabling the Group to conduct end-to-end ROMI analysis.

At the end of 2015, the Committee confirmed its support of the Group's Strategic Review of our Here for good brand promise, which was being conducted to identify the 'lessons learned' from the execution of Here for good; and consider how the brand strategy could be refined to support the new business strategy going forward. The Committee will assess the outcomes of this review throughout 2016.

Conduct

In line with the Committee's responsibility to oversee the Group's approach to raising the bar on conduct, the Committee has focused on the progress being made in regard to the Group's Conduct Programme. As part of this, the Committee discussed the four conduct pillars through which the Group is reviewing conduct: Fair Outcomes for Clients; Effective Financial Markets; Financial Crime Prevention, and Creating the Right Environment. The Committee agreed on the need to be explicit on what good conduct means in day-to-day business outcomes and ways of working.

In September 2015, the Committee reviewed the refreshed Group Code of Conduct (the 'Code'). In discussing the revised content, the Committee was pleased to note that the tone and messaging around individual ownership and accountability had been emphasised. As part of its review, the Committee endorsed the importance of 'tone from the top' demonstrated by the Group Chief Executive's introduction to employees, communicating the need to embed the Code. The Committee noted that the Code continues to receive sustained focus and remains a key priority for the Group.

In considering its role in regard to conduct, the Committee agreed on the importance of ensuring that its approach to conduct is value enhancing for the Group. Accordingly, the Board continues to have overall oversight of conduct and the

Committee continues to oversee the implementation of the Group's approach to raising the bar on conduct. The Board Financial Crime Risk Committee focuses on financial crime compliance oversight. The Committee will continue to review its role in regard to conduct matters in 2016.

Culture and values

The Committee is fully supportive of the Group's endeavours to create a fair, safe and inclusive place to work that encourages creativity, collaboration and continuous improvement.

The Committee received an update on the action plans following up on the 2014 My Voice employee engagement survey. My Voice was introduced in October 2014, designed to provide insight on both engagement levels of employees and their alignment against the Group's strategic priorities. The survey was completed by 85 per cent of employees. It identified areas of strength, including immense pride in working for the Group, commitment and the importance of good conduct. It also covered areas for improvement. It was recognised that by 31 March 2015, 95 per cent of managers were in the process of executing their action plans. The Committee will receive an update on My Voice action plans in 2016. Further details on My Voice can be found on page 20.

In September 2015, the Committee reviewed the draft response from the Group Chairman and the Group Chief Executive to the Banking Standards Board (BSB) questionnaire concerning culture, behaviour and competence. The BSB was set up following the Parliamentary Commission on Banking Standards and the Banking Standards Review published by Sir Richard Lambert in April 2014. In discussing the contents of the draft response, the Committee noted that one of the BSB's aims was to provide boards with feedback and constructive challenge in regard to their assessment and management of culture, standards of behaviour and competence. It was supportive that the final response focused on a number of key themes of particular relevance to the Group. These themes included the importance of our Here for good brand promise; the Board and Board Committees' focus on culture; the role of the Code in assisting employees to live the Group's values and the continued focus on conduct through the Group's Conduct Programme. The intention is that the Board will discuss the BSB's findings in early 2016.

The Chairman's Here for good Awards (the 'Awards'), launched in 2012, are designed to enable Group employees to recognise the team and individual who best represents Here for good. The Awards have once again proved popular with employees with 519 entries from 37 countries and 64,462 votes from employees. The Committee continues to support the Awards and its powerful connection to Here for good.

Reputational risk

The Committee reviews the processes by which the Group identifies and manages reputational risk in an effective and transparent manner, consistent with the Board-approved Group Risk Tolerance Statement. The Committee receives reports on the material thematic reputational risks facing the Group, provided from the perspectives of both internal and external stakeholders, at each meeting. This report sets out the Group function responsible for managing the issue, the mitigating actions being undertaken and an indication of where trends have improved or worsened since the previous update to the Committee.

This year, the Committee sought and received assurance on the enhancements that have been made to the Group's approach in identifying and managing reputational risk. This included an update on the ongoing communication under way to ensure that key stakeholders within the business are aware of the need for a robust and systematic approach for identifying, escalating and managing reputational risks, and their corresponding responsibility to consider reputational risk in all decision making.

Since January 2015, the Board Financial Crime Risk Committee has taken responsibility for any reputational risk associated with money laundering, sanctions abuse, bribery and corruption or any related topic. Further details can be found on page 96.

Sustainability

Towards the end of 2015, the Committee discussed the Group's approach to sustainability, in line with the Group's new strategy. The Committee was fully supportive of the Group's view that there needs to be both clear articulation and demonstration that sustainability at Standard Chartered is broader than our community programmes, and that it needs to be integrated to the Group's core business. It was agreed that focus should be placed on the significant economic and social impact that the Group has through its core business. The Committee will continue to assess the Group's approach to sustainability in 2016, to ensure that it is simple, measurable and clear for stakeholders to understand.

Throughout the year, the Committee continued to assess the Group's community expenditure. It was noted that the Group's approach reflected significant levels of employee volunteering (EV) time given to both Group EV initiatives and volunteering opportunities that resonate with employees personally, such as mentoring in local schools or charities. It was recognised that the proportion of high-quality skills-based EV continued to increase. The Committee emphasised the importance of tracking the effectiveness of Group EV initiatives, in line with the overall community strategy to assess the impacts. Further details on EV can be found on page 23.

Client focus

In 2015, the Committee received an update on the Retail Clients complaint management and governance process. This update had originated from an Audit Committee request, where it had been suggested that the Brand, Values and Conduct Committee hold a discussion on the programme in place to resolve the underlying issues of clients' complaints, with relevant representation from the Retail business segment. Accordingly, the Deputy Group Chief Executive, Chief Executive Officer, Retail Banking and Chief Operating Officer, Retail Banking participated in this discussion. The Committee was reassured to see the focus placed on identifying and addressing the underlying causes of client complaints with a view to reducing factors which led to complaints arising. Furthermore, in line with the FCA's Treating Customers Fairly principles, the work under way to ensure that clients do not face post-sale barriers when submitting claims or making a complaint. The Committee acknowledged the progress being made to improve automation and standardisation processes for clients more broadly.

Government and regulatory relationships

The Committee has continued to oversee the Group's approach to its main government and regulatory relationships across our key markets, agreeing on the importance for the Group to engage with governments, policy-makers and other key bodies.

The Committee was conscious of the fact that given the Group's diverse geographic footprint, there are typically a number of supervisory matters or investigations ongoing at any time. It sought and received assurance that each major issue is given appropriate management attention and is reported to the relevant governance committee within the Group and the Audit Committee. During its discussion, the Committee stressed the criticality of ensuring that the management of government and regulatory relationships continued to receive appropriate focus, resource and senior management attention.

Since January 2015, the Board Financial Crime Risk Committee has taken responsibility for the Group's compliance with any remediation or other commitments made in respect of any regulatory order, deferred prosecution agreement or other disciplinary action taken in relation to the Group arising from, or in association with, money laundering, sanctions abuse, and bribery and corruption. Further details can be found on page 96.

Committee effectiveness review

This year, the Committee undertook an internally facilitated effectiveness review with input from management and regular Committee meeting participants. Committee members were asked to provide their thoughts and feedback on progress made by the Committee throughout 2015, suggestions for the Committee's agenda in 2016 and any 'top of mind' thoughts on the Committee's effectiveness overall. Steps have been taken to consolidate the responses from the effectiveness review and implement them into the Committee's 2016 agenda to improve its future effectiveness.

Governance and Nomination Committee

Sir John Peace
Chair of the Governance and Nomination Committee

Dear Shareholder

We have continued to make changes to the membership of the Board and its committees throughout 2015 and into 2016. We have made a number of key appointments while reducing the overall size of the Board and enhancing its diverse perspective.

We welcomed Bill Winters to the Board in June 2015, and recommended the appointment of three experienced and highly regarded individuals to the Board as independent non-executive directors during 2015. Gay Huey Evans and Jasmine Whitbread joined the Board in April 2015, bringing a combination of financial services, commercial, regulatory, business leadership and international experience. We announced David Conner's appointment to the Board in December 2015, ahead of him joining the Board in January 2016. He has significant banking and risk-management experience in the context of our markets having lived and worked across Asia for over 37 years. Details of these appointments and the other changes made to the Board's composition during the year are set out on page 71.

We continue to believe that a diverse Board facilitates effective discussion and decision-making, both within the boardroom and throughout the Group. The Committee, and the Board more generally, remain committed to our diversity policy, details of which can be found on page 95, and we are pleased to report that women now represent 20 per cent of our Board membership. More details on the diverse nature of the Board can be found on pages 62 to 65.

In addition to Board succession, the Committee spent time in 2015 discussing key executive and senior management positions. The new Management Team, formed as part of the reorganisation to execute the new strategy which we announced in November 2015, has further strengthened this pipeline of senior leaders within the Group.

In February last year, I stated my intention to step down as Chairman during the course of 2016. The process to identify my successor formally began in June 2015, when Naguib Kheraj was appointed as Senior Independent Director (SiD). The Committee, chaired by Naguib when considering all matters relating to Chairman succession, has been leading the search to identify my successor, with the assistance of two search firms. Details of the process can be found on page 94.

Ruth Markland stepped down from the Committee and as SiD in June 2015; Paul Skinner stepped down from the Committee on 31 December 2015; and Lars Thunell stepped down from the Committee on 31 January 2016. I would like to express my thanks to Ruth, Paul and Lars for their contributions to the Committee.

Sir John Peace
Chair of the Governance and Nomination Committee

Who sits on the Governance and Nomination Committee

	Scheduled meetings	Ad hoc meetings
Sir John Peace (Chair)	4/4[1]	3/3[1]
C M Hodgson (appointed 7 May 2015)	3/3	1/1
N Kheraj	4/4	1/3[2]
J M Whitbread (appointed 1 January 2016)	N/A	N/A
Directors who stepped down during 2015/2016		
R Markland (stepped down on 15 June 2015)	1/1	2/2
P D Skinner, CBE (stepped down on 31 December 2015)	4/4	3/3
Dr L H Thunell (stepped down on 31 January 2016)	3/4[3]	3/3

Other attendees at Committee meetings in 2015 included:
Group Chief Executive; Director, Compliance, People and Communications; Global Head, Executive Talent; Group Company Secretary

1. Sir John did not chair any meetings which considered matters relating to the Chairman's succession
2. Naguib Kheraj was recused from two ad hoc meetings due to a potential conflict
3. Dr Lars Thunell was unable to attend one scheduled meeting due to a prior commitment

The Committee's composition and role

The Committee is responsible for the review of the Board's structure, size and composition, including the identification, assessment and recommendation of potential Board candidates. The Committee keeps under review the leadership needs of, and succession planning for, the Group in relation to both executive directors and other senior executives. In addition, on behalf of the Board, the Committee monitors progress towards the implementation of the Board diversity policy and considers any potential situational conflicts of interest declared by our Board members. The Committee also includes oversight of Board effectiveness and governance issues as well as the monitoring of corporate governance developments and emerging best practice.

A copy of the Committee's full terms of reference can be found at sc.com

We made a number of changes to the Committee's membership during the year, reflecting changes to the wider composition of the Board. Christine Hodgson was appointed as a member of the Committee in May 2015 having succeeded Ruth Markland as Chair of the Remuneration Committee. Ruth stepped down from the Committee on 15 June 2015, following Naguib Kheraj's appointment as Senior Independent Director (SID). Jasmine Whitbread was appointed to the Committee on 1 January 2016 to replace Paul Skinner, who she succeeded as Chair of the Brand, Values and Conduct Committee on the same date. Lars Thunell stepped down from the Committee and the Board on 31 January 2016. Biographical details of the members can be found on pages 62 to 65.

Committee activities

In 2015, the Committee continued to play an important role in overseeing the future shape and composition of the Board. Further changes were made to the composition of our independent non-executive directors as part of the ongoing Board succession plan. This was aimed at streamlining the Board while ensuring a balance of tenure, diversity, geographic knowledge and industry experience.

The Committee led the succession process which resulted in the appointment of Bill Winters as Group Chief Executive. Much of the detail was set out in last year's Governance and Nomination Report concluding in Bill's appointment in June 2015.

Following the Committee's work during 2014 to identify two new independent non-executive directors with a combination of banking, commercial, leadership and international experience, the Committee recommended the appointment of Gay Huey Evans and Jasmine Whitbread to the Board in early 2015, leading to them joining the Board in April 2015. The Committee also oversaw the process and recommended the appointment of David Conner as an independent non-executive director, leading to his appointment to the Board on 1 January 2016. David brings further global banking experience and strong risk credentials to the Board alongside valuable experience of working across many of our Asian markets.

Following Ruth Markland's decision to step down from the Board after 12 years as an independent non-executive director, the Committee provided oversight of the process to identify Naguib Kheraj as Ruth's successor as SiD.

The Committee, in conjunction with the other independent non-executive directors, were provided with a detailed update of the new Management Team as part of the simplification of the Group's organisational structure[1].

The Committee considered the findings of the 2015 Board effectiveness review and the recommendations for enhancing Board governance. It particularly focused on the overall composition of the Board and its committees and the likely impact of the Senior Managers Regime.

Chairman's succession

The Committee has oversight of the process for conducting the search to identify a new Chairman to succeed Sir John Peace. This began in June 2015, following the appointment of Naguib Kheraj as SiD. Naguib is leading the Chairman's succession process, as SiD, and chairing the Committee when considering all matters relating to the Chairman's succession. The Committee is being assisted on a joint mandate by two search firms, Russell Reynolds Associates and Lygon Group. We confirm that Russell Reynolds Associates is a supplier of senior resourcing

1. The reorganisation of our business was implemented on 1 October 2015, and will be reflected in our 2016 Annual Report and Accounts

to the Group, however, the Lygon Group has no other connection with the Group.

The Committee spent time agreeing the approach and the parameters; approved the characteristics and criteria which formed the job description; reviewed the research on potential candidates prepared by the search firms and participated in interviews with candidates. We have briefed our regulators and major shareholders on our process and timelines, recognising that it will take time to find the right individual. The process remains live and we will provide further information in line with our disclosure obligations.

Annual re-election of directors

The review of the performance of each of the directors seeking annual re-election at this year's Annual General Meeting was carried out by the Chairman in 2015. For more detail on the process see page 75.

Board diversity policy

The Board remains committed to its Board diversity policy, which includes our general approach to diversity and specifically sets out the intention to increase the representation of women on the Standard Chartered PLC Board to 25 per cent by 2017. While we set out our clear ambition in respect to gender representation, the policy is intended to ensure that diversity in its broadest sense remains a central feature of the Board. Reaching this objective remains front of mind, while ensuring that all appointments continue to be made on merit, with the prime consideration of maintaining and enhancing the Board's overall effectiveness. We believe that a highly effective Board is about chemistry and the right behaviours, underpinned by robust processes. The Board comprises individuals who have diverse skills, knowledge and experiences that combine to provide different perspectives.

To review our Board diversity policy, visit sc.com

The Committee made good progress in overseeing plans to achieve its gender diversity objective, as a result of both a reduction in the overall size of the Board and the appointment in April 2015 of Gay Huey Evans and Jasmine Whitbread.

Despite the retirement of Ruth Markland from the Board at the end of December 2015, the representation of women on the Board has increased from 11 per cent at the end of 2014 to 20 per cent at 23 February 2016.

The Committee will consider the Board diversity policy in the lead up to 2017 to assess its progress and in light of Lord Davies' recent five-year summary report on the representation of women of FTSE 100 boards. We are mindful of the recommendation that voluntary targets be increased to 33 per cent by 2020.

The representation of women on the new Management Team, the most senior leadership positions in the Group, below the Board, is very encouraging at 33 per cent.

In making recommendations for appointment to the Board, the Committee supported the search firms' voluntary code of conduct. The Committee worked with Lygon Group and Russell Reynolds Associates during the year. Both search firms are signatories to the voluntary code of conduct and are committed to supporting us in achieving our objectives and wider Board composition ambitions.

Situational conflicts

As part of the Committee's remit, it reappraises the authorisations previously provided to directors for those situations in which he/she had, or potentially could have in the future, a direct or indirect interest that conflicts with the interests of the Group.

Committee effectiveness review

The Committee considered the quality and volume of the information we receive and the mechanisms used to ensure that the Board as a whole is kept up to date regarding both executive and independent non-executive succession planning. In both cases, the Committee was satisfied that these were appropriate and should continue to be an area of focus going forward.

Board Financial Crime Risk Committee

Simon Lowth
Chair of the Board Financial Crime Risk Committee

Dear Shareholder

This is the first full report of the Board Financial Crime Risk Committee following its establishment on 1 January 2015. The Board took the decision to form this Committee to increase oversight and scrutiny on the effectiveness of the Group's policies and programmes to address financial crime. Together with the strengthening of the Group's financial crime compliance (FCC) function, its formation demonstrates our commitment to strong conduct and compliance at all levels of the organisation.

Given that the oversight of financial crime compliance requires a specific mix of skills and experience, it was decided to compose the Board Financial Crime Risk Committee not only of independent non-executive directors but also of four external advisor members. Their calibre, experience and expertise has enabled the Committee to add perspective and allowed for deeper technical review, challenge and engagement on areas within its remit. I would like to thank and commend the external advisors, Lazaro Campos, Boon Hui Khoo, Frances Townsend and Sir Iain Lobban. They are outstanding leaders in their field and bring valuable and varied experience in global payments, law enforcement, security and intelligence. Their appointments are a clear signal of how important financial crime compliance is to the Group and how serious we are about getting it right.

As a result of the linkages with other aspects of conduct, risk and compliance it has also been valuable to benefit from the input of Naguib Kheraj (Chair of the Audit Committee), Christine Hodgson and, before her, Ruth Markland (Chairs of the Remuneration Committee), Lars Thunell, and joining us this year, David Conner (as Chairs of the Risk Committee). They contributed their individual expertise as well as facilitating effective coordination with the agendas of those committees.

During the year, we have benefited from induction and training on specific aspects of financial crime and insight from FCC experts and functions as well as client-facing staff. The Committee's independent non-executive directors and external advisor members have also been able to visit some of our markets to observe first hand operations on the ground and meet staff at all levels. We have spent time analysing trends and developments in financial crime risks and expectations and requirements of our regulators. Our oversight has encompassed anti-money laundering, anti-bribery and sanctions compliance efforts. We have been pleased to see the growing collaboration between the Group and external agencies in areas of common interest in the UK, the US and elsewhere throughout the Group's footprint, for example, in the area of combating human trafficking.

We have spent the majority of our time monitoring, reviewing and providing oversight and challenge to the Group's major programmes, including the Financial Crime Risk Mitigation Programme and our ongoing focus on improving and enhancing entity and new controls, which are critical to the delivery of significant and lasting enhancements to our FCC capabilities. We looked at the adequacy of resourcing of the Group teams responsible for sanctions and anti-money laundering systems and controls, the strength of leadership of the FCC team, led by the Group's Head of FCC and the implications of the growth of the function. We benefited from Group Internal Audit's independent view of the Group's control environment relating to financial crime risk. We also reviewed the remediation programmes being undertaken by the Group in response to regulatory orders. To achieve what the Board intends in this area requires an ongoing deep and consistent communication with staff on why combating financial crime is important. The Committee has welcomed the fresh and effective materials produced by the Group through the 'Whole Story' campaign, which is embedding with staff the core argument that combating financial crime is at the heart of a good banking business, can prevent harmful human consequences and is integral to the culture of the Group.

Ruth Markland and Lars Thunell stepped down from the Committee on 31 December 2015 and 31 January 2016 respectively. I would like to thank Ruth and Lars for their valuable contribution to the Committee since its inception. Gay Huey Evans will join the Committee on 1 March 2016.

Simon Lowth
Chair of the Board Financial Crime Risk Committee

Who sits on the Board Financial Crime Risk Committee

	Scheduled meetings
S J Lowth (Chair)	4/4
D P Conner (appointed on 1 January 2016)	N/A
C M Hodgson	4/4
N Kheraj	4/4
Directors who stepped down in 2015/2016	
R Markland (Stepped down on 31 December 2015)	4/4
Dr L H Thunell (Stepped down on 31 January 2016)	1/4[1]
External Advisor Members	
L Campos	4/4
B H Khoo	4/4
Sir Iain Lobban	3/3
F Townsend	3/4[2]

Other attendees at Committee meetings in 2015 included:
Group Chairman; Group Chief Executive; Group Company Secretary; Group General Counsel; Director, Compliance, People and Communications; and Global Head, Financial Crime Compliance.

As part of, and in addition to, each scheduled Committee meeting, the Committee has private members' only meetings.

1. Dr Lars Thunell was unable to attend three scheduled meetings due to prior commitments
2. Frances Townsend was unable to attend one scheduled meeting due to a prior commitment

Committee composition

The Committee was established on 1 January 2015.

The Committee is chaired by Simon Lowth and includes the Chairs of the Audit Committee, Board Risk Committee and Remuneration Committee. More details on the independent non-executive directors can be found in their biographies on pages 62 to 65.

In addition, the Committee includes four external advisor members who are neither directors nor employees of the Group but who have skills relevant to the Committee and whose expert input is valuable. These four external advisor members have been appointed to support the work of the Committee and provide a valuable external perspective. The biographies of the external advisor members are set out below:

Sir Iain Lobban KCMG CB

Sir Iain was director of the UK security and intelligence organisation, the Government Communications Headquarters (GCHQ), from mid 2008 to late 2014. Prior to assuming the position of director, Sir Iain served as director-general of operations for GCHQ from 2004 to 2008. Sir Iain specialises in counter-terrorism, cyber security and the prevention and detection of serious crime. He was a member of GCHQ's Board for 13 years with half that period as its chair. During his tenure at GCHQ, Sir Iain established rigorous governance systems built around corporate risks, compliance and ethics.

Lazaro Campos

Lazaro was chief executive officer of the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the member-owned global cooperative for the secure exchange of information regarding financial transactions, from April 2007 until July 2012. Prior to this, Lazaro ran the banking division of SWIFT from 2003 until 2007. Lazaro is currently a non-executive independent director of miiCard Ltd (a start-up offering digital trust and online identity verification based on bank account data), advisor to the Bill and Melinda Gates Foundation, and advisor to the Arab Monetary Fund's Arab Regional Payment System (ARPS).

Boon Hui Khoo

Khoo Boon Hui served as president of INTERPOL from 2008 to 2012, and as chairman of INTERPOL's steering committee addressing the global trafficking of illicit goods and counterfeiting from 2012 to 2014. He was the commissioner of the Singapore Police Force between 1997 and 2010, and is currently an advisor to INTERPOL, senior fellow of Singapore's Ministry of Home Affairs, non-executive director of the Temasek Foundation and non-executive director of Singapore's Casino Regulatory Authority.

Frances Fragos Townsend

Frances served as assistant to the US President George W Bush for Homeland Security and Counterterrorism until 2008. She is currently executive vice president for international affairs at MacAndrews and Forbes, an investment holding company, and an independent non-executive director of Freeport-McMoran, Scientific Games and Western Union.

Induction and training

Tailored induction and ongoing engagement programmes have been provided to each of the four external advisor members. These programmes have also been made available to the independent non-executive director members of the Committee, who have attended a number of these sessions.

In 2015, the programmes have been run over a period of three days and consisted of meetings with senior executives across the Group to familiarise the external advisor members with the structure, the operations and the business of the Group, the activities and objectives of the financial crime compliance function, the Group's Financial Crime Risk Mitigation Programme (FCRMP)and the Group's commitments under its 2012[1] and 2014[2] regulatory settlements with the US Authorities.

1. The US authorities comprise the New York Department of Financial Services (NYDFS), the Board of Governors of the Federal Reserve System (FED), the New York County District Attorney's Office (DANY), the United States Department of Justice (DOJ) and the Office of Foreign Assets Control (OFAC)
2. The US authorities comprise the New York Department of Financial Services (NYDFS)

In addition to their visits to the UK head office of the Group, each of the external advisor members visited a key market outside the UK in 2015. During those visits, they met with senior executives and members of the local financial crime compliance teams and the regional and country chief executive officers.

Committee activities

The Committee focuses on financial crime compliance matters across the Group.

As part of the Board's commitment to further strengthen its oversight of all aspects of conduct across the Group, the Committee replaced and has taken over the work of the Board Regulatory Compliance Oversight Committee at the beginning of 2015, as well as some areas of responsibility previously overseen by the Audit Committee and the Board Risk Committee, where this is appropriate in the context of financial crime compliance oversight.

In its first year, the Committee has overseen the Group's progress in achieving enhanced standards in relation to the management of financial crime compliance and has provided valuable oversight in connection with the Group's financial crime compliance controls and procedures. The Committee has tracked the progress of the Group in continuing to meet the objectives, timelines and obligations of the FCRMP and the US SRP. Regular updates are provided to the Committee on these issues at each meeting.

The Committee has agreed areas of focus which include overseeing the effectiveness of the Group's policies, procedures, systems, controls and assurance arrangements for financial crime compliance matters including anti-money laundering, sanctions compliance, prevention of bribery and corruption and prevention of tax crime.

In particular, it has provided ongoing Board level oversight of the FCRMP (a Group-wide initiative to identify and embed best practices in the field of financial crime compliance), the Group's commitments under its 2012[1] and 2014[2] settlement agreements with the US Authorities (the US SRP) and the broader programme of enhancements being introduced across the Group in relation to financial crime compliance – including those relating specifically to customer due diligence processes, transaction monitoring and other core controls.

The Committee has identified and discussed emerging financial crime compliance risks and sought and received assurance from executive management on how the Group intends to address such risks. The Committee has also considered the Group's risk tolerance statements in relation to financial crime compliance.

Regular reports and updates were provided to the Committee by the relevant executives in 2015. These executives include the Director, Compliance, People and Communication; the Global Head; Financial Crime Compliance; the Group General Counsel; and the Group Head of Internal Audit.

The Committee receives regular reports from the Global Head of Financial Crime Compliance in his capacity as the Group's Money Laundering Reporting Officer. This has included the annual Group Money Laundering Reporting Officer's Report and the Global Risk Assessment.

The Group General Counsel has also provided periodic reports to the Committee on any significant regulatory or government investigations which have taken place relating to financial crime compliance.

In addition, the Chair of the Committee has had regular meetings with the Group Chairman; the Director, Compliance, People and Communication; the Group General Counsel, and the Global Head, Financial Crime Compliance to discuss financial crime risk outside the scheduled Committee meetings in 2015.

Committee linkages

Where there is a perceived overlap of responsibilities between the Committee and other Board committees, such as the Board Risk Committee, the Audit Committee or the Brand, Values and Conduct Committee, the respective Committee Chairs have the discretion to agree which Committee is the most appropriate to address that responsibility. There is clear mapping of such overlapping items to ensure each Committee focuses on its area of responsibility. The linkages between Committees are further enhanced through cross-membership.

Committee effectiveness review

The Committee undertook an internally facilitated effectiveness review in the second half of 2015.

To support the effectiveness review, Committee members were asked to provide their thoughts and feedback on progress made in the Committee's first year and thoughts on the Committee's overall effectiveness since its inception. The feedback was then discussed by the Committee. While the Committee members believed that the Committee had been performing well and was already proving to be effective, there were suggestions on ways the Committee could improve, which have been factored into an agreed action plan for 2016.

1. The US authorities comprise the New York Department of Financial Services (NYDFS), the Board of Governors of the Federal Reserve System (FED), the New York County District Attorney's Office (DANY), the United States Department of Justice (DOJ) and the Office of Foreign Assets Control (OFAC)
2. The US authorities comprise the New York Department of Financial Services (NYDFS)

Directors' remuneration report

Incentivising the delivery of the new strategy and growth in shareholder returns

> "We have simplified our incentive arrangements to give a clearer and more transparent remuneration policy aligned with the new strategy"
>
> **Christine Hodgson**
> *Chair of the Remuneration Committee*

- A new directors' remuneration policy is proposed with a simplified structure and increased long-term focus. This will be put to shareholders for approval at the Annual General Meeting (AGM) in May 2016
- The new policy has two elements – an annual incentive and stretching long-term incentive plan (LTIP) performance conditions
- 2015 Group annual incentives of $855 million, down 22 per cent from 2014 and down 41 per cent since 2011
- No 2015 annual incentive award for executive directors
- Subject to approval of the new policy, the LTIP will be used to incentivise directors to deliver the new strategy and grow shareholder returns

New directors' remuneration policy – key terms

- Separate annual incentive and LTIP introduced with the LTIP weighting increased to at least 60 per cent of the variable remuneration opportunity
- The annual incentive and LTIP will incorporate performance measures aligned with the recent Strategic Review to focus delivery on the short and long term
- Deferral of remuneration for up to seven years, in line with future regulatory requirements
- Variable remuneration maximum remains at 200 per cent of fixed remuneration

Dear Shareholder

This letter summarises the major decisions taken by the Remuneration Committee for the year and describes the context in which they were made. The letter also provides a summary of the new proposed directors' remuneration policy.

Business context

During 2015, the Group announced comprehensive changes to its strategy, structure and leadership, with a view to positioning the Group for sustainable growth and the delivery of improved returns.

2015 has been poor in respect of the key financial metrics for performance of the business and there has also been a material decline in share price, alongside a cut in the dividend. This financial performance has had a significant influence on the Committee's decision-making for the year.

Key financial metrics

Metric	2015	2014	Change
Operating income ($million)	**15,439**	18,236	(15.3)%
Underlying profit before tax ($million)	**834**	5,195	(83.9)%
Common Equity Tier 1 ratio (%)	**12.6**	10.7	190 bps
Earnings per share (cents)	**(6.6)**	138.9	(104.8)%
Underlying return on risk-weighted assets (%)	**0.3**	1.9	(84)%
Return on equity (%)	**(0.4)**	7.8	(105.1)%

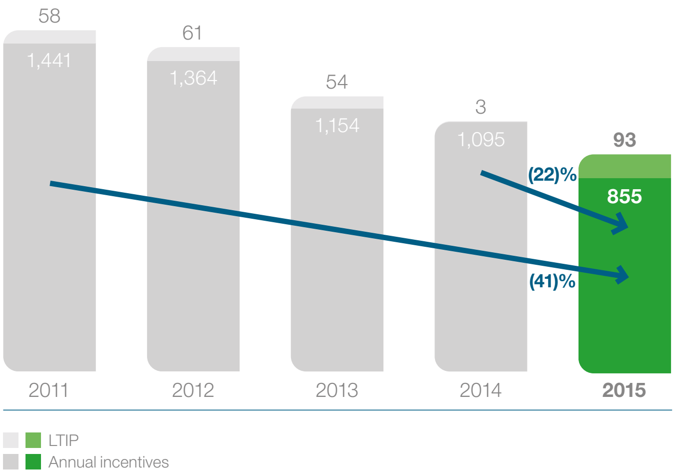
The Committee also considered other factors as part of the wider context when discussing 2015 remuneration outcomes. These included:

- Taking a global approach to remuneration, given that more than 97 per cent of Group's employees are based outside the UK
- That many labour markets remain buoyant with wage inflation pressures. Inflation is forecast on average to exceed 6 per cent in Africa and 5 per cent in the Middle East in 2016
- A 2015 voluntary attrition rate of 16.7 per cent, an increase from 15.1 per cent in 2014
- The importance of rewarding and incentivising employees to deliver the new strategy (announced in November 2015)

Group performance and remuneration for 2015

In light of the Group's performance, the Committee determined that discretionary annual incentives for 2015 should be $855 million, a reduction of 22 per cent on 2014. Since 2011, annual incentives are down by 41 per cent. The Committee decided this level of annual incentives was required in order to reward and incentivise those employees who remain with the Group to deliver the new strategy.

Incentives trend 2011 to 2015 $million



The Committee concluded that it would not be appropriate to award annual incentives to the most senior management for 2015 performance. However, incentives to execute the strategy and create sustained shareholder value are key to the delivery of the plan. The value of the 2015 long-term incentive awards will be determined by Group performance over the period 2016 to 2018. Incentive awards were also made to individuals who left the Group during 2015 as part of restructuring, who were in service for at least nine months of the year, totalling $45 million.

New proposed directors' remuneration policy

We intend to propose a new directors' remuneration policy to shareholders for approval at our AGM in May 2016. This policy, set out in this directors' remuneration report and summarised below, has been developed giving consideration to the following:

- The aim to simplify incentive arrangements and give a clearer and more transparent remuneration policy
- The recent corporate changes and new business strategy
- The Committee's objective to align remuneration packages with the delivery of the new strategy and improved shareholder returns
- Shareholder preferences for a simpler and clearer remuneration policy with greater focus on long-term performance and our undertaking to shareholders to reflect these preferences in a new policy once the regulatory position was clearer
- Regulatory developments, in particular the new requirements published by the Prudential Regulatory Authority (PRA) in June 2015, require a certain proportion of variable remuneration to vest no faster than pro rata over three to seven years after award. In addition, the remuneration guidelines published by the European Banking Authority (EBA) late in 2015, contain further provisions around the operation of share awards

In light of the above, the Committee decided it would be appropriate to propose a new remuneration policy, with the following characteristics:

- Separate annual incentive award alongside a long-term incentive plan (LTIP) award to give a simpler remuneration structure with a clear link to short- and long-term performance. At least 60 per cent of the variable remuneration opportunity will be subject to stretching long-term performance measures
- Annual incentive and LTIP performance measures focused on the new business strategy
- Increased length of remuneration deferral from three to seven years

Directors' remuneration for 2015

In light of the Group's financial performance in 2015, it was determined that all executive directors should have zero annual incentives for 2015. This decision was arrived at following consideration of the specific performance measures applicable to variable remuneration determinations and the wider financial Group performance.

In addition, all LTIP awards granted to executive directors in 2013 lapse in full given performance measures have not been met.

Subject to shareholder approval of the new remuneration policy at our AGM in May 2016, LTIP awards will be granted to Bill Winters and Andy Halford, delivered in shares (with a face value of 200 per cent of fixed remuneration at the time of award) and subject to the satisfaction of stretching long-term performance measures, which will be measured over three years. These performance measures are comprised of a return on equity (RoE) measure (with a Common Equity Tier 1 (CET1) underpin), a relative total shareholder return (TSR) measure and other measures which are aligned with the new strategy. If performance measures are achieved, the shares will vest over the period 2019 to 2023.

Board changes

The Committee considered the remuneration of a number of Board joiners and leavers during the year, including Peter Sands, Jaspal Bindra and V Shankar, who stepped down as executive directors, and Bill Winters, who joined the Board as Group Chief Executive in June 2015.

The arrangements for these joiners and leavers were dealt with in accordance with the framework of the approved directors' remuneration policies for recruitment and termination.

Specific details on the remuneration arrangements on leaving for Peter, Jaspal and V Shankar have been announced previously and are also included on page 123.

On 7 January 2016, it was announced that Mike Rees would retire from the Board on 30 April 2016. In line with the UK reporting regulations, details of the relevant remuneration arrangements on leaving were set out in the London Stock Exchange announcement on 7 January 2016.

As part of Bill Winters' remuneration arrangements, the Committee approved a buy-out award. This compensated Bill for the forfeiture of share interests on joining from his previous employment. The buy-out award is in the form of shares in the Group with a value of $9.93 million as at the date of grant (22 September 2015), significantly lower in value than the value of the share interests forfeited. More information is included on page 122.

In addition to the executive director changes, Ruth Markland and Paul Skinner stepped down from the Committee and Byron Grote, Naguib Kheraj and Jasmine Whitbread joined during 2015. On behalf of the Committee, I would like to thank Ruth, for the significant and invaluable contribution she made during her tenure as Committee Chair. Further information on the activities of the Committee during 2015 is included on page 134.

Conclusion

The Committee has taken the approach of zero annual incentives for 2015 for executive directors, together with the opportunity for the new executive director team to be rewarded for the delivery of improved future performance. This focus on reward for performance has also been key in structuring the proposed directors' remuneration policy, for which the Committee is seeking shareholders' support at our AGM in May 2016.

This directors' remuneration report has been prepared by the Committee and approved by the Board.

Christine Hodgson
Chair of the Remuneration Committee

Introduction to the 2015 directors' remuneration report

The following table sets out where key content can be found in the 2015 directors' remuneration report.

Summary of key 2015 remuneration decisions

Group's total 2015 discretionary annual incentives

	2015	2014
Total annual incentives[1] ($million)	**855**	1,095
Year-on-year change	**(22)%**	(5)%

1. For continuing employees

Executive director 2015 annual incentives, single figure of remuneration and proposed 2016-18 long-term incentive plan awards

	W T Winters		A M G Rees		A N Halford	
	2015	2014	**2015**	2014	**2015**	2014
Annual incentive ($000)	**0**	–	**0**	0	**0**	866
Annual incentive as a percentage of maximum	**0%**	–	**0%**	0%	**0%**	58%
Single total figure of remuneration (excluding pension and buy-out of incentives for new joiners) ($000)	**2,432**	–	**2,683**	2,992	**2,158**	2,056
2016-18 LTIP award (face value) proposed to be granted in May 2016 ($000)	**8,435**	–	**0**	–	**5,037**	–
Proposed 2016-18 LTIP as a percentage of fixed remuneration	**200%**	–	**0%**	–	**200%**	–

Q&A on our new directors' remuneration policy

Why are you changing the policy?

The Group has set out a clear strategy with a comprehensive set of actions to improve returns. We want to incentivise the new executive director team to deliver the new strategy. It is also impractical to meet the new PRA regulatory requirements within the existing policy.

As a consequence, we have reviewed our directors' remuneration policy and intend to propose a new policy at our AGM in May 2016. The policy will increase simplicity, transparency and long-term focus in the structure of directors' remuneration.

How does the new policy support the strategy?

The targets for both the annual incentive and the LTIP will be a combination of financial and strategic measures, linked to the new strategy. This approach will ensure executive directors are incentivised to deliver the strategy both in the short-term and over the longer term.

The diagram below illustrates how the new policy supports the strategy.

Incentive determination

Incentivising directors to execute the strategy

Incentive delivery

Rewarding long-term sustained performance

Strategic priorities	Annual incentive assessment	LTIP vesting based on long-term assessment
Financial performance and improved returns	✓	✓
Secure the foundations	✓	✓
Lean and focused	✓	✓
Invest and innovate	✓	✓

Deferral

- Delivery of annual incentive in combination with the LTIP will satisfy regulatory requirements
- Deferral of up to seven years
- Further holding requirement of six months post vesting (increasing to 12 months from the 2016 performance year)
- At least 60% of all incentives awarded subject to future performance
- LTIP in shares creates sustained performance linkage through share price alignment
- At least half of annual incentive delivered in shares

Malus and claw-back

- Enables reclaim of award in a range of circumstances, including risk management and conduct

What are the key features of the new policy?

- Incentivises executive directors to deliver the new strategy and improve shareholder returns
- Overall variable remuneration opportunity remains unchanged at 200 per cent of fixed remuneration
- Increases long-term focus (at least 60 per cent of variable remuneration subject to long-term performance measures)
- Ensures the policy is in line with changing regulatory requirements
- Provides transparency to key decisions made by the Committee, including how annual incentives are determined (using an annual scorecard) and the vesting of LTIP awards (based on three-year performance measures)
- Performance assessed on both short- and long-term basis

How will the policy be implemented?

Reflecting the Group's circumstances, the Committee will focus incentives on the LTIP over a multi-year period during the early years of the turnaround.

The LTIP opportunity will be higher in the early years of the policy (and always higher than the annual incentive opportunity), i.e. 200 per cent of fixed remuneration in 2015, 160 per cent in 2016 and 120 per cent for 2017 onwards.

This approach ensures executive directors are incentivised to deliver the strategy and are aligned with long-term returns for shareholders, while allowing for the reintroduction of annual performance measures to ensure short-term performance is also robustly managed.

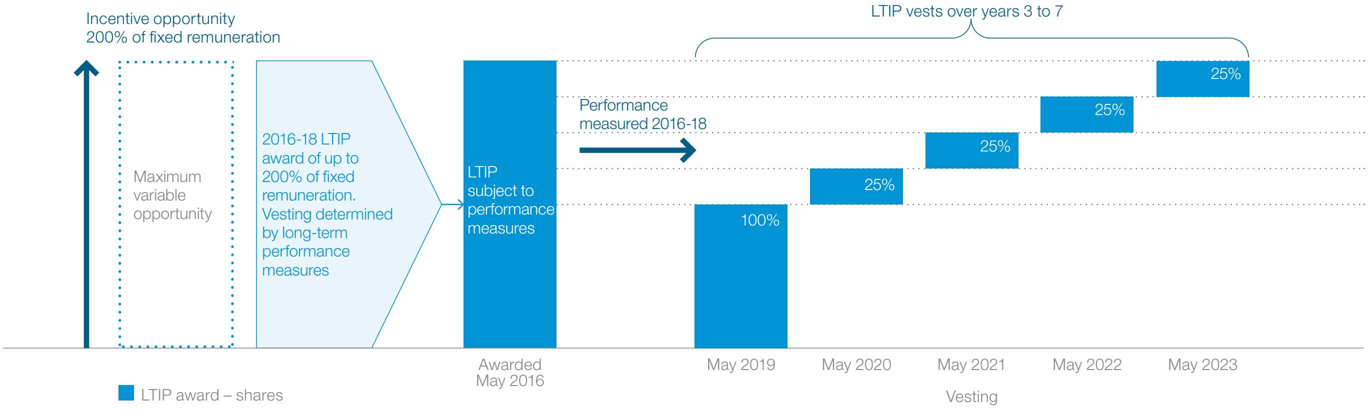
Performance year	Annual incentive maximum (as percentage of fixed)	LTIP performance period	LTIP maximum (as percentage of fixed)	Comments
2015	–	2016-18	200%	Creates strong initial incentive to align with timeframe of turnaround and reflects poor 2015 performance
2016	40%	2017-19	160%	Reintroduces element of annual incentive but retains focus on long-term reward given stage in turnaround
2017 onwards	80%	2018-20	120%	Revert to standard combination of annual and long-term financial and strategic goals

What awards are being made now?

Given the Group's financial performance, the Committee decided that there would be no payment of annual incentives for 2015. To incentivise the new executive director team and align them with the turnaround, the Committee recommended a 2016-18 LTIP award of 200 per cent of fixed remuneration under the proposed policy.

The LTIP will be a share award subject to forward-looking performance measures, measured over three years i.e. for May 2016 awards, performance will be measured over 2016-18 inclusive. The vesting will be over seven years, 50 per cent after three years and the balance evenly over four to seven years. Shares will be subject to a six-month holding period after vesting.

The performance measures will be relative TSR, RoE with a capital underpin, and a combination of strategic measures, focused on the delivery of the new strategy. Exhibiting an appropriate level of individual values and conduct will be a gateway performance measure for the vesting of the LTIP award.

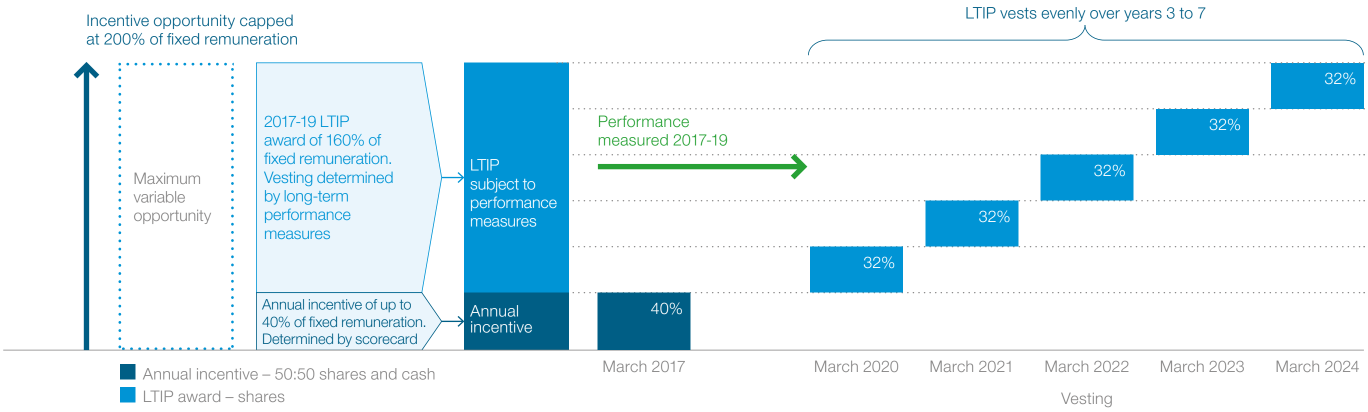


What is the plan for 2016 and 2017?

To support in-year incentivisation for the execution of the strategy, for 2016 the annual incentive will be reintroduced at a maximum of 40 per cent of fixed remuneration. The LTIP opportunity will be a maximum of 160 per cent of fixed remuneration, granted in March 2017. Following this, the normal implementation of the policy is expected to take effect from 2017 onwards, with the annual incentive opportunity a maximum of 80 per cent of fixed remuneration and the LTIP opportunity a maximum of 120 per cent of fixed remuneration.

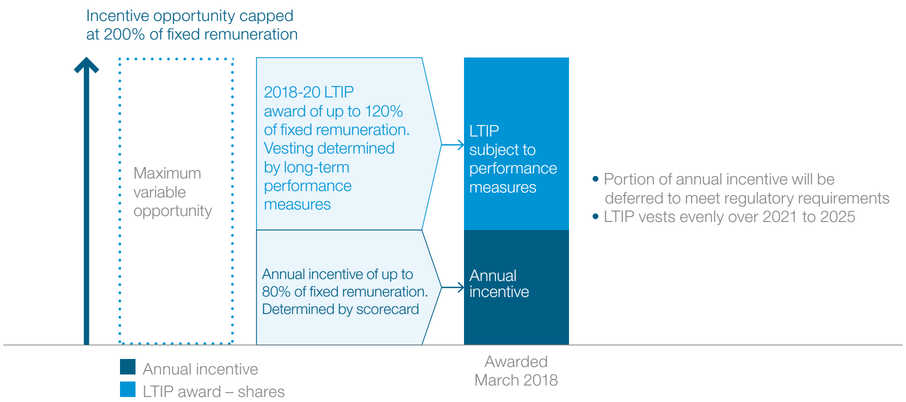
Details of the annual incentive scorecard are set out on page 126. For 2016, the annual incentive will be paid up front with 50 per cent paid in shares subject to a one-year holding period, and will be subject to claw-back for 10 years.

2016 remuneration structure



The LTIP granted in March 2017 will vest in five equal tranches from March 2020 to March 2024, subject to performance between 2017 and 2019.

2017 remuneration structure



Directors' remuneration policy

Consideration of shareholder views

The Committee Chair maintains regular contact with the Group's major shareholders about remuneration and ensures the Committee is kept informed of their views.

In light of the outcome of the vote on the directors' remuneration policy at the AGM in May 2014, the Committee sought to address shareholders' concerns in relation to that policy. Their feedback was reflected in the Committee's decisions in relation to how variable remuneration was delivered in 2014 and how the policy was operated in 2015. For example, by introducing a new scorecard and increasing the proportion of variable remuneration subject to performance measures.

Since the AGM in May 2015, the Committee has continued to consult with shareholders representing over half of the share register, and meeting representative bodies and proxy voting bodies, with a view to introducing a new directors' remuneration policy once the regulatory position was clearer. Shareholders' feedback has been reflected in the new remuneration policy, in particular by ensuring the variable remuneration structure is simpler and reflects long-term performance.

The Committee did not consult with employees when determining the directors' remuneration policy. The Committee reviews annually the remuneration trends across the Group, including the relationship between executive directors' remuneration and the remuneration of other Group employees. The Committee oversees the remuneration structures for material risk-takers and works with the Human Resources team to ensure consistency of approach throughout the Group and compliance with relevant legislation and regulation.

Key features and changes to the directors' remuneration policy

Component	Previous policy	Key features and changes to the policy for implementation in 2016
Fixed remuneration	• Comprises salary, pensions and benefits, and fixed pay allowances (FPAs) • FPAs are paid in shares subject to a holding period and released to executives 20 per cent per year over five years	• No substantive changes. The terms of FPAs will be amended to align with regulatory requirements, in particular so that the amount may only be changed on a change of role
Variable remuneration structure and award levels	• The Committee uses a balanced scorecard to determine the proportion of maximum variable remuneration to be awarded • Scorecard aligned to strategic priorities (50 per cent financial and 50 per cent other strategic priorities). Measures and weightings to be disclosed in advance • Retrospective disclosure of specific targets and assessment against those targets • Awards will be paid in shares over five years • No cash element	• Variable remuneration will be considered in two distinct parts, annual incentive and LTIP: • Annual incentive: – Performance scorecard based on a combination of financial performance and strategic measures, measured over a one-year period – Delivered as a combination of cash, shares with a holding period and deferred shares • LTIP: – Delivered in shares – Performance assessed against three-year performance targets – Vesting over three to seven years • The delivery of the annual incentive in combination with the LTIP will satisfy regulatory deferral requirements
Variable remuneration proportion subject to future performance	• A total of 50 per cent of the variable remuneration opportunity made up of: – 25 per cent of variable compensation by face value delivered in performance shares – 25 per cent delivered in the form of deferred shares over three and five years subject to a three-year financial underpin	• LTIP will comprise a minimum of 60 per cent of the variable remuneration opportunity • LTIP vesting will be subject to stretching future performance conditions, measured over at least three years

Component	Previous policy	Key features and changes to the policy for implementation in 2016
Long-term performance targets	• Performance share award measures are earnings per share (EPS) growth, average return on risk-weighted assets (RoRWA), and relative total shareholder return (TSR) • Underpin shares have performance targets based half each on EPS and RoRWA, acting as a hurdle which must be exceeded for the relevant portion of the award to vest	• Performance measures for LTIP awards granted in 2016 will be RoE (with a CET1 underpin), relative TSR and a combination of strategic long-term measures
Claw-back	• Claw-back applies to variable remuneration for seven years from award and may be extended	• Claw-back can be extended to 10 years from award in certain circumstances

Remuneration policy for executive directors

The table below sets out the new proposed directors' remuneration policy from the date of the Group's AGM in May 2016 and beyond.

Fixed remuneration

Element and purpose in supporting the Group's strategic objectives	Operation	Additional detail including maximum value and performance measures
Salary Support the recruitment and retention of executive directors, recognising the size and scope of the role and the individual's skills and experience Set at a level, together with other fixed remuneration, that enables the Group to operate fully flexible variable remuneration	• Reviewed annually with increases generally applying from April • When determining salary levels, consideration is given to the following: – The size and scope of the role – The individual's skills and experience – Pay at international banks of a similar size and international scope – Pay within large UK-listed companies (including the major UK-listed banks)	• Increases may be made at the Committee's discretion to take account of circumstances such as: – Increase in scope or responsibility – Increase to reflect the individual's development in role (e.g. for a new appointment where salary may be increased over time rather than set directly at the level of the previous incumbent or market level) – Alignment to market-competitive levels – Consideration to increases given in the context of salary increases across the Group • There are no performance measures
Fixed pay allowances Provide a market competitive level of fixed remuneration appropriate for the role and the individual's skills and experience	• May be withdrawn or amended on a change in role or termination of employment and having regard to relevant remuneration regulations • Enable the Group to deliver total fixed pay which is competitive and appropriate for the role, and which enables a competitive total remuneration when added to other elements of fixed remuneration and variable remuneration • Are not pensionable and do not count towards other benefits which are calculated by reference to salary • Will be paid in shares on an annual basis (or any other frequency that the Committee considers to be appropriate) and the shares will be subject to a holding period set by the Committee, currently five years with 20 per cent released annually • Dividends are paid on the shares during the holding period	• FPAs will be set at an appropriate level for the role, subject to a maximum of one times salary

Fixed remuneration continued

Element and purpose in supporting the Group's strategic objectives	Operation	Additional detail including maximum value and performance measures
Benefits Provide a competitive benefits package that is consistent with Group values and supports executives to carry out their duties effectively	• A range of benefits may be provided, including standard benefits such as holiday and sick pay, and may also include the provision of a benefits cash allowance, a car and driver (or other car-related service), private medical insurance, permanent health insurance, life insurance, financial advice and tax preparation and tax return assistance • Additional benefits may also be provided where an executive director is relocated or spends a substantial portion of their time in more than one jurisdiction for business purposes. Benefits may include, but are not limited to, relocation, shipping and storage, housing allowance, education fees and tax and social security costs • Other benefits may be offered if considered appropriate and reasonable by the Committee • Executive directors are reimbursed for expenses, such as travel and subsistence and any associated tax incurred in the performance of their duties. In addition, if executive directors incur tax charges when travelling overseas in performance of their duties, these costs will be met by the Group • Executive directors may from time to time be accompanied by their spouse or partner to meetings/events. The costs (and any associated tax) will be met by the Group	• The maximum opportunity for benefits depends on the type of benefit and the cost of providing it, which may vary according to the market, individual circumstances and other factors • Set at a level which the Committee considers a sufficient level of benefit based on the role and individual circumstances
Pension The pension arrangements comprise part of a competitive remuneration package and facilitate long-term retirement savings for directors	• Normally paid as a cash allowance or contribution to a defined contribution scheme • Pension contributions may also be made in lieu of any waived salary (and the cash amount of any annual incentive) • A Defined Benefit (DB) scheme exists and is closed to new entrants but continues to accrue benefits for existing members. Members of the DB scheme can opt for an individually costed pension allowance on a broadly cost-neutral basis to the Group for future service	• An annual pension allowance or contributions of up to 40 per cent of salary is payable • The Committee will continue to review the level of pension allowance used for the recruitment of future executive directors • Under the closed DB scheme a pension of one-thirtieth of final salary for each year of service is payable at the age of 60

Variable remuneration

Element and purpose in supporting the Group's strategic objectives	Operation	Additional detail including maximum value and performance measures
Annual incentive Performance-based remuneration linked to measurable performance criteria Ensures a market-competitive remuneration package Links total remuneration to achievement of the Group's strategy in the short term	• Annual incentive awards are determined annually based on Group and individual performance • Annual incentives are delivered as a combination of cash, shares subject to holding requirements and deferred shares (for example, to meet requirements under relevant remuneration regulations) • Deferral proportions and vesting profiles will be structured so that, in combination with any LTIP award: – The proportion of variable remuneration that is deferred is no less than required by the relevant remuneration regulations (currently 60 per cent) – The deferred remuneration vests no faster than permitted under the relevant remuneration regulations (pro rata over years three to seven after award from 1 January 2016) • Dividend or dividend equivalents accrue on deferred annual incentive awards and are paid on vesting, subject to the extent permitted by the relevant remuneration regulations • The Committee can, in specified circumstances, apply malus or claw-back to all or part of any annual incentive awards. Details on how malus and claw-back operate currently are provided on page 137 • Deferred annual incentive awards will be granted as conditional share awards or nil-cost options: – The Committee may apply discretion to adjust the vesting of deferred annual incentive awards and/or the number of shares underlying a deferred annual incentive award on the occurrence of corporate events and other reorganisation events	• The maximum value of an annual incentive award granted to any executive director cannot exceed 80 per cent of that executive director's fixed pay. For this purpose, annual incentive awards may be valued in line with the relevant remuneration regulations • Annual incentive awards can be any amount from zero to the maximum • The determination of an executive director's annual incentive is made by the Committee based on an assessment of a balanced scorecard containing a mix of financial measures and other long-term strategic measures. Financial measures will comprise at least 50 per cent of the scorecard. The measures, individual weightings and targets will be set annually by the Committee • The targets, together with an assessment of performance against those targets, will be disclosed retrospectively • Discretion may be exercised by the Committee to ensure that the annual incentive outcome is a fair and accurate reflection of business and individual performance and any risk-related issues (but it will not exceed the maximum opportunity)

Element and purpose in supporting the Group's strategic objectives	Operation	Additional detail including maximum value and performance measures
LTIP Performance-based remuneration linked to measurable, long-term performance criteria Ensures a market-competitive remuneration package Links total remuneration to achievement of the Group's long-term strategy	• LTIP awards are granted annually, with award levels set to provide appropriate levels of long-term incentives to executive directors, with performance of the Group and the individual considered in determining the award level • LTIP awards are delivered in shares and may be subject to holding requirements (for example, to meet the relevant remuneration regulations) • Vesting profiles will be structured so that no LTIP award vests before the third anniversary of grant and in combination with any annual incentive award: – The proportion of variable remuneration that is deferred is no less than required by the relevant remuneration regulations (currently 60 per cent) – The deferred remuneration vests no faster than permitted under the relevant remuneration regulations (currently pro rata over years three to seven after award) • Dividend or dividend equivalents accrue on LTIP awards and are paid subject to the satisfaction of any long-term performance measures, subject to the extent permitted by the relevant remuneration regulations • The Committee can, in specified circumstances, apply malus or claw-back to all or part of any LTIP awards. Details on how malus and claw-back operate currently are provided on page 137 • LTIP awards will be granted as conditional share awards or nil-cost options: – The Committee may apply discretion to adjust the vesting of LTIP awards and/or the number of shares underlying an LTIP award on the occurrence of corporate events and other reorganisation events	• The maximum value of an LTIP award granted to any executive director cannot, in combination with the annual incentive opportunity in respect of any particular year, exceed 200 per cent of that executive director's fixed remuneration. For this purpose LTIP awards may be valued in line with the relevant remuneration regulations • The Committee will, for each year, determine the split of the overall variable remuneration opportunity between the LTIP award and annual incentive opportunity at the start of the year and disclose this split in advance. The maximum LTIP award will form at least 120 per cent of fixed remuneration (i.e. at least 60 per cent of the maximum variable remuneration opportunity for any financial year), so that the majority of the variable remuneration opportunity is based on long-term performance • LTIP awards can be any amount from zero to the maximum • LTIP awards will be subject to long-term performance measures, measured over a period of at least three years • The long-term performance measures may be a mix of financial measures and other long-term strategic measures. Financial measures will comprise at least 50 per cent of the performance measures. Weightings and targets will be set in advance of each grant by the Committee and disclosed prospectively and performance against those measures will be disclosed retrospectively. For financial measures, vesting will be on a sliding-scale basis between threshold and maximum with no more than 25 per cent vesting at threshold performance

Other remuneration

Element and purpose in supporting the Group's strategic objectives	Operation	Additional detail including maximum value and performance measures
Sharesave Provide an opportunity to invest voluntarily in the Group	• Sharesave is an all-employee plan where participants (including executive directors) are able to open a savings contract to fund the exercise of an option over shares • The option price is set at a discount of up to 20 per cent of the share price at the date of invitation, or such other discount as may be determined by the Committee • An equivalent cash or share plan is offered in countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues)	• Savings per month of between £5 and the maximum set by the Group (currently £250)
Legacy arrangements Honour existing payments	• Any previous commitments or arrangements entered into with current or former directors will be honoured, including remuneration arrangements entered into under the previously approved directors' remuneration policy	• In line with existing commitments

Notes to the remuneration policy for executive directors

Committee's judgement and discretion

In addition to assessing performance and making judgements on the appropriate levels of annual incentive awards and LTIP awards, the Committee has certain operational discretions that it may exercise when considering directors' remuneration, including but not limited to:

i. Determining whether a leaver is an eligible leaver under the Group's share plans

ii. Amending LTIP performance measures following a corporate event to ensure a fair and consistent assessment of performance

iii. Deciding whether to apply malus or claw-back to an award

Where such discretion is applied this will, where appropriate, be explained in the next directors' remuneration report.

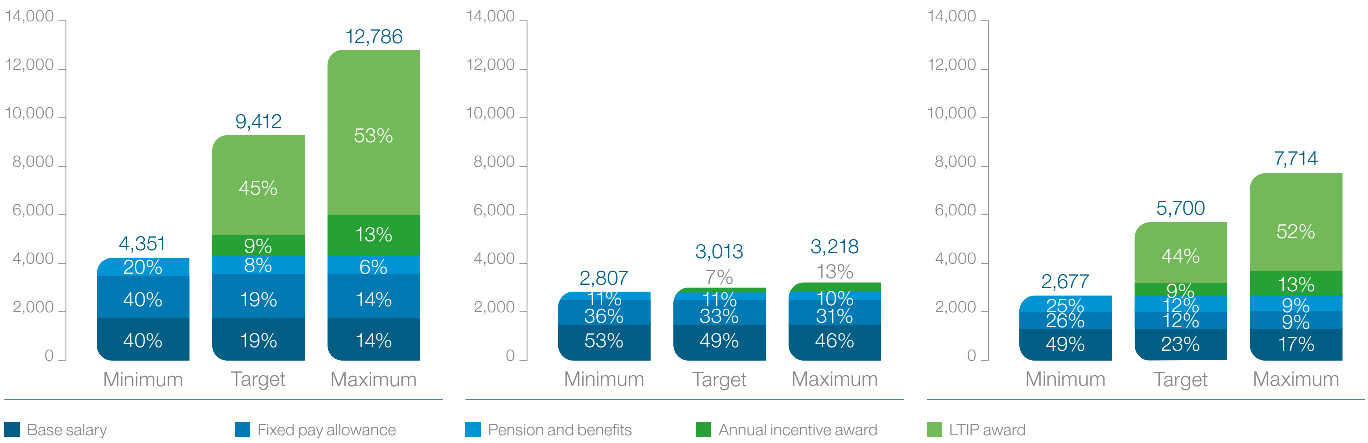
Ability for Committee to amend the policy for emerging and future regulatory requirements

The Committee also retains the discretion to make reasonable and proportionate changes to the remuneration policy if the Committee considers this appropriate in order to respond to changing legal or regulatory requirements or guidelines (including but not limited to any PRA revisions to its remuneration rules and the EBA's remuneration guidelines). This includes the ability to make administrative changes to benefit the operation of the remuneration policy and/or to implement such changes ahead of any formal effective date, ensuring timely compliance. Where proposed changes are considered by the Committee to be material, the Group will consult its major shareholders. Any changes would be formally incorporated into the policy when it is next put to shareholders for approval.

Illustration of the application of the remuneration policy in respect of 2016

The charts below provide an illustration of the potential outcomes under the Group's proposed remuneration policy being put to shareholders for approval at the AGM in May 2016. The charts show the outcomes that could result for each of the executive directors in three performance scenarios: minimum, target and maximum.

Bill Winters $000 **Mike Rees** $000 **Andy Halford** $000



1. Benefits assumed as 2015 annualised figures. Any actual fixed pay numbers in 2016 will be dependent on exchange rates, the cost of benefits and final pension valuation
2. Minimum performance assumes no annual incentive is awarded or LTIP award is granted
3. Target performance assumes annual incentive at 20 per cent of fixed pay and an LTIP award of 160 per cent of fixed pay is granted, of which 62.5 per cent vests (other than to Mike Rees whose annual incentive is on a pro rata basis reflecting time due to be served as an executive director during 2016 and who will not be granted an LTIP award)
4. Maximum performance assumes annual incentive at 40 per cent of fixed pay and an LTIP award of 160 per cent of fixed pay is granted and vests in full (other than to Mike Rees whose annual incentive is on a pro rata basis reflecting time due to be served as an executive director during 2016 and who will not be granted an LTIP award)
5. No share price growth has been assumed

Remuneration approach on recruitment of an executive director

The Group's approach to remuneration reflects the fact that many of its employees bring international experience and expertise and that the Group recruits from a global marketplace. The Committee's approach to recruitment is to pay competitive remuneration that reflects the Group's international nature and enables it to attract and retain candidates.

Any new executive directors' remuneration package would include the same elements and be subject to the same maximums as those of the existing executive directors, as summarised below.

Policy	Details
Salary	• Set to reflect the role and the skills and experience of the candidate
Fixed pay allowance	• Up to 100 per cent of salary
Benefits	• Dependent on circumstances but typically includes benefits allowance, car and driver (or other car-related service), private medical insurance, permanent health insurance, life insurance, financial advice and, for international hires, expatriate benefits
Pension	• Up to 40 per cent of salary and subject to a review of market practice and the appropriate level for any new executive directors
Variable remuneration	• Dependent on circumstances but no more than 200 per cent of fixed remuneration
Buy-out awards	• The Committee may consider buying out forfeited remuneration and forfeited opportunities and/or compensating for losses incurred as a result of joining the Group subject to proof of forfeiture or loss • The value of any buy-out award will not exceed, in broad terms, the value of the remuneration forfeited • Any award will be structured within the requirements of the applicable remuneration regulations, and will be no more generous overall than the remuneration forfeited in terms of the existence of performance measures, timing of vesting and form of delivery • The value of buy-out awards is not included within the maximum variable remuneration level where it relates to forfeited remuneration from a previous role or employer
Legacy matters	• Where a senior executive is promoted to the Board, his or her existing contractual commitments agreed prior to his or her appointment may still be honoured in accordance with the terms of the relevant commitment, including vesting of any pre-existing deferred or long-term incentive awards

Executive directors' contracts and payments on loss of office or change of control

The Group's approach to executive directors in respect of notice periods and payments on loss of office and change of control reflects market practice and is set out below. In the event of termination for gross misconduct, no notice is given and no payments will be made.

Policy	Details	Other provisions
Executive directors' service contracts Maximum of 12 months' notice from the company and the executive director	• May be required to work and/or serve a period of garden leave during the notice period and/or may be paid in lieu of notice if not required to remain in employment for the whole notice period	N/A
Compensation for loss of office in service contracts Dependent on an individual's contract but in any event no more than 12 months' salary, FPAs, pension and benefits	• Payable quarterly (other than FPAs, which are paid annually) and subject to mitigation if the executive director seeks alternative employment • Not in addition to any payment in lieu of notice or if the individual remains in employment for the whole notice period	• In the event of a settlement agreement, the Committee may make payments it considers reasonable in settlement of potential legal claims, including potential entitlement to compensation in respect of statutory rights under employment protection legislation • The Committee may also include in such payments reasonable reimbursement of professional fees, such as legal fees and tax advice (and any associated tax), in connection with such arrangements. Career transition support may also be provided
Treatment of variable remuneration on termination Variable remuneration is awarded at the Committee's discretion	• Eligible leavers (as determined by the Committee) may be eligible for variable remuneration although there is no automatic entitlement. Typically any annual incentive amount awarded would be awarded on a pro rata basis, reflecting the period of service during the year • The Committee has discretion to reduce the entitlement of an eligible leaver in line with performance and the circumstances of the termination	• On a change of control, typically the amount is pro rata to the period of service during the year. The Committee may alter the performance period, measures and targets to ensure the performance measures remain relevant but challenging
Treatment of unvested awards on termination under the share plan rules The Committee has the discretion under the relevant plan rules to determine how eligible leaver status should be applied on termination, including the ability to award eligible leaver status in respect of some but not all of an executive director's unvested awards The current approach is that eligible leaver status will generally be given in cases such as death, disability, retirement, redundancy and mutual separation. In addition, eligible leaver status will be given (other than in cases of termination for cause) where the date of termination is five years or more after the date of grant	• For eligible leavers, awards not subject to long-term performance measures vest in full over the original timescale and remain subject to the Group's claw-back arrangements. The Committee has discretion to reduce the level of vesting • Awards granted from 2016 onwards and subject to long-term performance measures vest subject to those performance measures and on a pro rata basis (reflecting the proportion of the relevant financial performance period that the executive director has been employed) and remain subject to the Group's claw-back arrangements • Vesting may be subject to non-solicit and non-compete requirements • Awards lapse for employees not designated eligible leavers	• On a change of control, awards become exercisable and vest to the extent performance measures are met (either at the change of control or later). The Committee may allow awards to continue or roll-over in agreement with the acquirer, taking into account the circumstances and may alter the performance period, measures and targets to ensure the performance measures remain relevant
Outside appointments To encourage self-development and allow for the introduction of external insight and practice	• Executive directors may accept appointments in other organisations subject to relevant Board approval. Executive directors tend to be limited to one non-executive directorship in another listed company. Fees may be retained by the executive director	N/A

Differences in remuneration policy for all employees

The table below summarises the entitlement of different categories of employees to the Group's components of remuneration.

	Executive directors	Other material risk-takers	Other employees
Salary, benefits and pension	Yes	Yes	Yes
Fixed pay allowances	Yes (paid in shares)	No	No
Discretionary variable remuneration	Yes, delivered in the form of an annual incentive (cash, shares and deferred shares) and LTIP award (delivered in shares, subject to long-term performance measures)	Yes, may be delivered in the form of an annual incentive (paid in cash up to certain limits and the balance is deferred in shares and/or cash) and/or LTIP award (delivered in shares, subject to long-term performance measures)	Yes, most employees are eligible to be considered for an annual incentive (paid in cash up to certain limits and the balance is deferred in shares and/or cash) and/or LTIP award (delivered in shares, subject to long-term performance measures)

Chairman and independent non-executive directors' remuneration policy

Fees and benefits

Element and purpose in supporting the Group's strategic objectives	Operation	Additional detail including maximum value and performance measures
Fees Attract a Chairman and independent non-executive directors (iNEDs) who together with the Board as a whole have a broad range of skills and experience to determine Group strategy and oversee its implementation	• Fees are paid in cash or shares. iNEDs' post-tax fees may be used to acquire shares • The Chairman and iNED fees are reviewed periodically. The Board sets iNED fees and the Committee sets the Chairman's fees. The Chairman and iNEDs excuse themselves from any discussion on their fees	• Overall aggregate base fees paid to all iNEDs will remain within the current limit of £1.5 million as stated in the Articles of Association • Fees are set at a level which reflect the duties, time commitment and contribution which are expected from the Chairman and iNEDs • Fees are reviewed and appropriately positioned against those for the Chairman and iNEDs in banks and other companies of a similar scale and complexity • There are no recovery provisions or performance measures
Benefits Attract a Chairman and iNEDs who together with the Board as a whole have a broad range of skills and experience to determine Group strategy and oversee its implementation	• The Chairman is provided with benefits associated with the role, including a car and driver and private medical insurance, permanent health insurance and life insurance. Any tax costs associated with these benefits is paid by the Group • The Chairman and iNEDs are reimbursed for expenses, such as travel and subsistence (and including any associated tax), incurred in the performance of their duties • The Chairman and iNEDs may, from time to time, be accompanied by their spouse or partner to meetings/events. The costs (and any associated tax) are paid by the Group • iNEDs are paid fees for chairmanship and membership of board committees and for the senior independent director role • The Chairman and iNEDs may receive tax preparation and tax return assistance	• There are no performance measures

Approach on recruitment for Chairman or independent non-executive director

Fees and benefits for a new Chairman or iNED will be in line with the Chairman and independent non-executive directors' remuneration policy.

Service contracts and policy on payment for loss of office for the Chairman and independent non-executive directors

The Chairman is provided a notice period of up to 12 months and is entitled to a payment in lieu of notice in respect of any unexpired part of the notice period at the point of termination.

iNEDs are appointed for a period of one year unless terminated earlier by either party with three months' written notice. No entitlement to the payment of fees or provision of benefits continues beyond termination of the appointment and iNEDs are not entitled to any payments for loss of office (other than entitlements under contract law, such as a payment in lieu of notice if notice is not served).

2015 report on remuneration

2015 Group total variable remuneration

Determining 2015 discretionary annual incentives

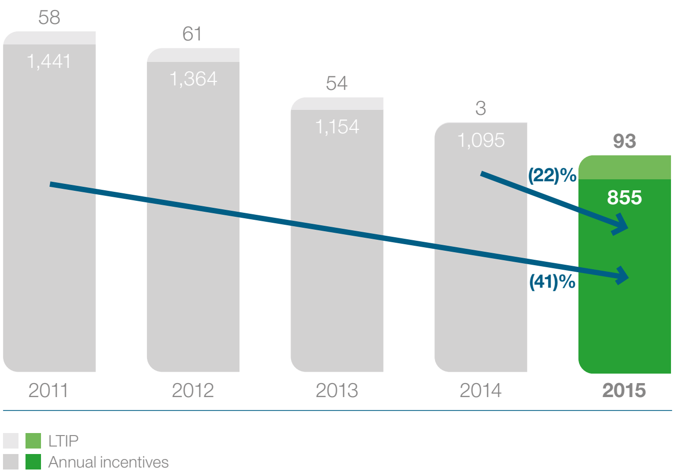
In determining 2015 annual incentives, the Committee considered the following factors:

- Recognition that the Group's financial performance in 2015 has been poor, and as a consequence the share price has suffered and the dividend cut. In November 2015, the Group Chief Executive set out the Group's new strategy with the intention of addressing the declining performance. The Group has taken a comprehensive range of actions including raising capital, reducing risk concentrations, managing expenses and laying out a business investment programme
- That the historical remuneration levels of the Group have generally been below competitive levels in the markets in which it operates and that this position has deteriorated further over the past few years. This has in part contributed to a rise in the level of voluntary attrition to 16.7 per cent (2014: 15.1 per cent)
- The need to reposition remuneration in the Group to contribute to improving shareholder returns, whilst enabling the Group to ensure that good performers are paid competitively
- The material risk events that have impacted the Group in 2015

In determining the Group's total annual incentives, the Committee has had to use its judgement to establish the right balance between the financial performance of the Group and our ability to attract and retain talent that will drive the Group's new strategy.

On this basis, the Committee determined that the total annual incentives for continuing employees for 2015 should be $855 million, 22 per cent lower than in 2014, as shown below. The Committee concluded that any lower amount would present a material risk to the ability of the Group to make appropriate and competitive awards. The total annual incentives of the Group have steadily reduced over the past five years.

Incentives trend 2011 to 2015 $million



The value of the 2015 long-term incentive awards will be determined by Group performance over the period 2016 to 2018. Incentive awards were also made to individuals who left the Group during 2015, as part of restructuring, who were in service for at least nine months of the year, totalling $45 million.

Relative expenditure on pay and allocation of earnings

When considering Group variable remuneration the Committee considers shareholders' concerns about relative expenditure on pay and makes the determination on the allocation of earnings to expenditure on pay carefully. The Committee concluded that the Group has approached this allocation in a disciplined way over the past five years.

Allocation of the Group's earnings between stakeholders

	Actual					Allocation				
	2015 $million	2014 $million	2013 $million	2012 $million	2011 $million	**2015 %**	2014 %	2013 %	2012 %	2011 %
Staff costs[1]	**7,119**	6,788	6,570	6,492	6,630	**71**	63	61	62	64
Corporate taxation including levy	**1,113**	1,896	2,099	2,040	2,007	**11**	18	20	20	19
Paid to shareholders in dividends	**1,778**	2,095	2,062	1,866	1,675	**18**	19	19	18	17

1. Staff costs include redundancy and other restructuring expenses. See page 259 for more detail.

The Committee has included the amount of corporate tax, including the bank levy, because it is a significant payment and illustrates the Group's contribution through the tax system.

Executive directors' variable remuneration awarded in respect of 2015 (audited)

Approach to determining individual variable remuneration awards

The Committee's performance management framework was outlined in the 2014 directors' remuneration report. At its meetings in December 2015 and January 2016, the Committee considered Group performance, the performance of each executive director and risk and control-related matters (with input from Group Risk and other control functions), and made its determinations.

The Committee followed a three-step process for determining annual incentive awards:

Step 1: consider eligibility

Step 2: evaluate performance against the Group's priorities

Step 3: assess personal performance and finalise annual incentive and LTIP awards for each executive director

1. Consider eligibility

The Committee considered the Group's risk position and its forward-looking capital position, and concluded that it was appropriate to consider the granting of incentives.

2. Evaluate performance against the Group's priorities

At the end of 2015, the Committee reviewed both financial performance and achievement against the Group's strategic priorities, as outlined at the start of the year in the 2015 annual incentive scorecard, published in last year's remuneration report. The Committee's assessment of performance against the targets is disclosed in the table on page 117.

In relation to financial performance, the Committee concluded that the financial performance had been poor and did not meet the expectations set at the start of the year. The Committee noted that progress had been made against the strategic aspirations and the other Group priorities.

However, in light of the Group's broader performance, the Committee concluded that it would not be appropriate to award annual incentives in 2015 to executive directors, but that there was a need to incentivise the new executive director team so LTIP awards should be granted, subject to shareholder approval of the proposed remuneration policy.

Performance measures	Weighting	Target[1]	Assessment of achievement	Scorecard outcome
Financial measures				
Underlying pre-tax operating profit	12.5%	$4.63 billion	$834 million	0%
Normalised EPS growth	12.5%	127 cents	(6.6) cents	0%
RoRWA	12.5%	0.94%	0.3%[2]	0%
CET1	12.5%	Maintain prudent buffer over regulatory capital requirements. CET1 of 11.0%	12.6%[2]	12.5%
Other strategic measures				
Client relationships	20%	Deepen, broaden and selectively grow client relationships Leverage the network more effectively	20.2% of clients delivered 80% of income (2014: 19.7%). However, where more progress was sought in leveraging the network: a) average multi-product ratio was 6.3 (target range was 6.0-6.5); and b) average multi-market ratio was 2.9 (outside target range of 3.0-3.5)	5%
Organisational effectiveness and efficiency	20%	Deliver productivity improvements of at least $400 million Deliver transformation in the Retail Clients segment	Delivered initiatives in the region of $440 million of savings by the end of the year Retail Clients transformation progressed well in 2015, with approximately $200 million of saves (via headcount reduction, branch rationalisation, marketing cost saves) delivered. Closure of the Consumer Finance Business, product rationalisation and centralisation of Retail Analytics were other key achievements	12.5%
People, culture and conduct	10%	Satisfactory progress made on the conduct agenda Successful execution of the 2015 milestones under the Group's Financial Crime Risk Mitigation Programme	Programme deliverables largely on track including successful delivery of new code of conduct and defining Four Pillar Group Conduct Framework. As at 31 December, 98.5% of staff had committed to the Code Financial crime risk mitigation programme delivered several key milestones in 2015. Initial deployments of improved systems/controls completed in Q4 2015 for key processes including names screening and transaction screening. 2015 deliverables under Regulatory Orders were largely on target. Material residual execution risks remain	5%
Total	**100%**			**35%**

1. A maximum/minimum performance threshold of +/- 10 per cent of the target was set for the financial performance measures other than for CET1; in the case of CET1 if the ratio was below 11 per cent the outcome would be zero. The impact on CET1 of the rights issue announced in November 2015 is estimated to be in the order of 1.7 per cent
2. Unaudited

3. Assess personal performance and finalise awards

The Committee noted the individual performance of each executive director and the performance in areas of personal responsibility, notwithstanding the decision to make no incentive awards.

The Committee noted that Bill Winters had made a good start to his role. Since his appointment as Group Chief Executive in June, the Board had discussed and subsequently announced a new strategy that would result in significant changes in how the Group will be managed going forward. The Committee also noted that he had come in during a challenging period and had been critical to developing a clear plan of action and forming a new Management Team. The announcements in November would position the Group for improved RoE on a strengthened capital base.

The Committee agreed that, in his first full year with the Group, Andy Halford had made a significant contribution to prudent capital management, to the cost reduction programme and to the development of the new strategy of the Group.

Mike Rees has actively supported the work to refocus and transition the respective client and product groups under the new organisational model, making use of his knowledge of the Group and its markets. The Committee noted that he had been an important advisor to Bill Winters and the rest of the Management Team. He worked closely with Bill and Andy on the formulation and execution of the new strategy.

Former executive directors

Under the terms of their leaving agreements, both Peter Sands and Jaspal Bindra were eligible to be considered for a discretionary variable remuneration award. As the current executive directors would not be receiving any annual incentives, the Committee decided it would not be appropriate to make any awards to Peter and Jaspal. In reviewing their performance, the Committee noted that both had supported the transition to the new organisation positively and were professional in terms of the handover to their successors. Under the terms of his leaving agreement, V Shankar was not eligible to be considered for a discretionary variable remuneration award.

Award of long-term incentives

As outlined in the Chair's covering letter on page 100, to incentivise the new executive director team and align them with the turnaround, 2016-18 LTIP awards of up to 200 per cent of fixed remuneration are proposed under the remuneration policy being put to shareholders for approval at the AGM in May 2016, other than to Mike Rees who will be retiring from the Board on 30 April 2016.

The following table summarises the outcome of the Committee's decisions on annual incentive and LTIP awards for the 2015 performance year.

	Current executive directors			Former executive directors		
	W T Winters	**A M G Rees**	**A N Halford**	**P A Sands**	**J S Bindra**	**V Shankar**
Annual incentive ($000)[1]	0	0	0	0	0	N/A
Annual incentive as a percentage of the maximum[2]	0%	0%	0%	0%	0%	N/A
2016-18 LTIP award (face value) proposed to be granted in May 2016 ($000)[1]	8,435	0	5,037	N/A	N/A	N/A
Proposed 2016-18 LTIP as a percentage of fixed remuneration[2]	200%	0%	200%	N/A	N/A	N/A

1. The grant of LTIP awards is subject to shareholder approval of the proposed new remuneration policy at the Group's AGM in May 2016
2. Maximum variable remuneration is calculated as 200 per cent of fixed remuneration (defined as salary, FPA and pension)

Long-term incentive plan awards to be granted in 2016

LTIP awards will be granted to Bill Winters and Andy Halford in 2016 following approval of the new directors' remuneration policy, with a face value of 200 per cent of fixed remuneration.

These LTIP awards will vest 50 per cent after the third anniversary of grant, with the balance vesting in four annual tranches thereafter, subject to meeting the following performance measures, measured after the third anniversary of grant.

Performance measures for 2016-18 executive director long-term incentive plan

Gateway requirement to be met in order for awards to vest				
Appropriate level of individual values and conduct exhibited				
Performance measure	**Weighting**	**Amount vesting (as % of total award)**	**Threshold performance target**	**Maximum performance target**
1. RoE[1] plus CET1 underpin of 12%	One third	Maximum – 33.3% Threshold – 8.3% Below threshold – 0%	7%	10%
2. Relative TSR against peer group	One third	Maximum – 33.3% Threshold – 8.3% Below threshold – 0%	Median	Upper quartile
3. Strategic measures	One third	Maximum – 33.3% Minimum – 0% Performance against each component of the scorecard will be assessed by the Committee using proof points to determine the percentage of the award that may vest		
a) Conduct and financial crime remediation			• Successfully execute Group's financial crime risk and other conduct-related mitigation and remediation programmes	
b) Secure the foundations			• Liquidate and exit identified non-strategic assets: $25 billion of risk-weighted (RWA) assets to nil by end of 2018 • Cost discipline: deliver $2.3 billion gross efficiency target	
c) Get lean and focused			• Retail: progress towards achieving a cost income ratio of c.55% by 2020 • Restructure of Corporate & Institutional Banking and Commercial Banking: achieve $50 billion of RWA optimisation by 2018	
d) Invest and innovate			• Private Banking and Wealth Management: grow assets under management by $25 billion • Retail Banking: achieve over 40% of income from priority clients • Deliver market share gains across Africa region • Maintain leadership position on the internationalisation of renminbi	

1. Normalised RoE will be based on profit attributed to ordinary shareholders, adjusted, on a tax-affected basis, for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent and infrequent/exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period. This includes material one-off changes to valuation methodologies to align with market practice and restructuring charges. Normalised RoE would normally exclude regulatory fines but, for remuneration purposes, this would be subject to review by the Remuneration Committee

The measures have been chosen to align with the new strategy and in consultation with shareholders. The equal weighting of the measures provides a balanced set of metrics, giving an appropriate focus on execution of the new strategy, investor interests and prudent risk-taking.

The target levels for LTIP awards are designed to be challenging but realistic. The Committee's starting point for determining target levels was to review the financial plan and the Group's strategic priorities.

As part of the remuneration policy review and setting of performance measures, the peer group used for the calculation of the relative TSR performance measure has been adjusted. The criteria used to select the peer group are companies with generally comparable business activities, comparable size or geographic spread to Standard Chartered or companies Standard Chartered competes against for investor funds and talent. In aggregate, the comparator group is intended to be representative of Standard Chartered's geographic presence and business operations. The constituents of the peer group shall continue to be reviewed annually. As a result of this review, the following changes were made (to the peer group listed on page 122):

- RBS and Unicredit were removed from the peer group
- ANZ (which has growing presence in Asian markets) and UBS (which has significant Corporate & Institutional, Private and Wealth businesses) were added

TSR will be measured for each company over the LTIP performance period, starting from the date of grant. TSR will be calculated in British pounds and data averaged over a month at the start and end of the three-year performance period from the date of grant.

The current intention of the Committee is that the performance measures for LTIP awards in March 2017 will be similar to those awards to be granted in 2016. However, the Committee will review the performance measures and targets again in advance of making awards in 2017 in respect of 2016 performance, including an assessment against continued alignment with the Group's priorities.

Single total figure of remuneration for the executive directors (audited)

This table sets out salary, FPAs, benefits (including pensions) and one-off amounts (such as buy-out awards) received in 2015 and variable remuneration awards receivable in respect of 2015. LTIP awards, granted in 2013 did not vest (based on performance between 2013 and 2015). All figures are in $000s.

	W T Winters[1]		A M G Rees		A N Halford		P A Sands[2,3]		J S Bindra[3,4]		V Shankar[3,4]	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Salary	**1,172**	–	**1,490**	1,507	**1,299**	761	**759**	1,826	**279**	838	**290**	871
Fixed pay allowances	**1,172**	–	**1,000**	1,000	**700**	379	**488**	1,100	**192**	575	**192**	575
Benefits	**88**	–	**193**	182	**159**	49	**230**	289	**353**	965	**245**	653
Annual incentive	**0**	–	**0**	0	**0**	867	**0**	0	**0**	0	**0**	0
Vesting of LTIP awards	**–**	–	**0**	303	**–**	–	**0**	376	**0**	188	**0**	146
Subtotal	**2,432**	**–**	**2,683**	**2,992**	**2,158**	**2,056**	**1,477**	**3,591**	**824**	**2,566**	**727**	**2,245**
Buy-out award (in shares)	**9,933**	–	**–**	–	**–**	1,876	**–**	–	**–**	–	**–**	–
Pension	**468**	–	**1,813**	3,948	**519**	304	**495**	1,504	**136**	411	**116**	348
Total	**12,833**	**–**	**4,496**	**6,940**	**2,677**	**4,236**	**1,972**	**5,095**	**960**	**2,977**	**843**	**2,593**

1. Bill Winters joined the Group on 1 May 2015 and was appointed to the Board on 10 June 2015. The figures above include his remuneration from 1 May 2015
2. Peter Sands' remuneration is up to 10 June 2015, the date he stepped down from the Board
3. Information on leavers' remuneration arrangements since stepping down from the Board is included in the Payment for loss of office section on page 123
4. Jaspal Bindra's and V Shankar's remuneration is up to 30 April 2015, the date on which they stepped down from the Board

Additional information on the fixed pay allowance figure in the single total figure table (audited)

FPAs are paid in shares, subject to a holding period and released over five years. The number of shares allocated is determined based on the monetary value of the allowance and the prevailing market price of the Group's shares on the date of allocation. FPAs are not variable remuneration, therefore, performance measures are not applicable.

Additional information on the benefits figure in the single total figure table (audited)

All executive directors received private medical cover, life assurance, permanent health insurance, an allowance in respect of taxation advice and a car, and for some of the directors, the use of a company vehicle and driver for business purposes. Some executive directors use a Group car service for travelling and had spouse travel expense benefits. The Group paid the tax on these benefits.

The 2015 benefits figures shown are in respect of the 2014/15 tax year. This provides consistency with the reporting of similar benefits in 2014.

In 2015, Jaspal Bindra and V Shankar received accommodation benefits (of $256,241 and $178,730 respectively) as they were undertaking responsibilities in an international location, and in line with market practice, received certain expatriate benefits. The benefits figures for Jaspal Bindra and V Shankar have been restated from those shown in the 2014 directors' remuneration report (previously $933,511 and $645,414 respectively).

Additional information on the 2014 incentives in the single total figure table (audited)

The annual incentive delivered to Andy Halford in respect of 2014 was delivered in shares. This was split between upfront shares and deferred shares, the latter vesting over three years. An LTIP award and underpin shares were also awarded. Any value from these will be disclosed in the single figure disclosure for the year in which they vest.

Additional information on the vesting of long-term incentive plan awards in the single total figure table (Audited)

The LTIP awards granted in March 2013 were due to vest in March 2016, based on performance over the years 2013 to 2015. Performance measures were not met and so the awards lapsed. The details are shown below.

Measures for LTIP awards granted in 2013	Minimum	Maximum	Actual	Percentage of maximum vested
Total shareholder return (one-third weighting)	Median	Equal to or above fifth	Below 21st	0%
Earnings per share growth (one-third weighting)	15%	30%	Negative	0%
Return on risk-weighted assets (one-third weighting)	1.5%	1.7%	Below 1.5%[1]	0%
Total				0%

1. Unaudited

The average share price for the last three months of the 2014 financial year was used to determine the value of the LTIP awards (granted in 2012) which vested based on performance to the end of 2014. This has been restated from the figures shown in the 2014 directors' remuneration report using the share price on the date of vesting of 13 March 2015 of £9.55.

Additional information on the buy-out award figure in the single total figure table (audited)

Bill Winters received a buy-out award in respect of shares forfeited as a consequence of leaving his former role to join the Group. The buy-out award takes the form of restricted shares with a face value of $9.93 million as at the date of grant (22 September 2015). These shares will vest (i.e. the restrictions will lift) in three equal tranches in September 2017, 2018 and 2019, subject to continued employment with the Group.

Additional information on the pension figure in the single total figure table (audited)

Mike Rees is, and Peter Sands was, contractually entitled to participate in a DB pension plan, with a headline entitlement of one-thirtieth of salary for each year of service. The Committee continues to take into account the value of such benefits as part of total remuneration.

As disclosed in the 2013 directors' remuneration report, the increase in Mike Rees' salary in April 2014, following his change in role, gave rise to a material one-off increase in his accrued pension benefit. The 12-month averaging period for pensionable salary means that the increase in pension value will be reported over two years. Accordingly, in the 2015 pension figure of $1.81 million, $1.07 million relates to the increase in pensionable salary.

The increase in Peter Sands' pensionable salary in April 2014 gave rise to an increase of $148,991 in his accrued pension benefit in 2015.

Jaspal Bindra previously participated in the DB pension plan but in 2013 he elected to give up his future pension accrual and replace it with an individually costed pension allowance (of 49 per cent of salary), which was cost-neutral to the Group, and reflected the level of benefit given up. Jaspal's pension allowance was payable in cash.

Bill Winters received pension contributions and a cash allowance, which combined, equate to 40 per cent of his salary.

Andy Halford and V Shankar received cash allowances of 40 per cent of their salary.

Total pension entitlements (audited)

The Group's approved DB pension plan is not open to new joiners but existing members continue to accrue additional rights. This arrangement is supplemented by the Group's unfunded unapproved plan for longer-serving executive directors and senior employees. Mike Rees and Peter Sands (while he remained an employee) continued to participate in both of these arrangements and their prospective DB entitlement as at 31 December 2015 are detailed below. The retirement age for executive directors is 60, and if a director retires before this, pension benefits are reduced for early payment.

Director	Normal retirement date	Rights as at 31 December 2015[1]
A M G Rees	13 February 2016	$822,935 per annum
Former executive directors		
P A Sands	–	$722,131 per annum
J S Bindra	–	$287,668 per annum

1. Converted to US dollars based on an exchange rate of £0.6784 to one US dollar

Current position on outstanding long-term incentive plan awards

The current position on vesting for all unvested LTIP and underpin share awards outstanding from 2014 and 2015 based on current performance and share price is set out in the table below.

		Total shareholder return			Earnings per share			Return on risk-weighted assets (three-year average)		
Award type	Year of grant	Minimum (30% vesting)	Maximum (100% vesting)	Current status	Minimum (30% vesting)	Maximum (100% vesting)	Current status	Minimum (30% vesting)	Maximum (100% vesting)	Current status
LTIP	2014	Median	Equal to or above fifth	0% vesting	15%	30%	0% vesting	1.5%	1.7%	0% vesting
	2015			0% vesting	15%	35%	0% vesting	1.2%	1.4%	0% vesting
Underpin Shares	2015	N/A	N/A	N/A	N/A	10%	0% vesting	N/A	1.1%	0% vesting

The comparator group for the TSR measure is set out below:

Banco Santander	Citigroup	ICBC	Royal Bank of Scotland	United Overseas Bank
Bank of America	Credit Suisse	ICICI	Société Générale	
Bank of China	DBS Group	JP Morgan Chase	Standard Bank	
Bank of East Asia	Deutsche Bank	Kookmin	State Bank of India	
Barclays	HSBC	Oversea-Chinese Banking Corporation	Unicredit	

New executive directors' and former executive directors' remuneration

Recruitment arrangements for Bill Winters

In May 2015, Bill Winters joined the Group and was appointed as the new Group Chief Executive with effect from 10 June 2015. In line with market practice and, as would be expected in the recruitment of a senior individual of this nature, the remuneration package included a buy-out of share interests foregone by Bill in order to take up employment with the Group.

The Committee's approach in structuring the remuneration package, including the buy-out award, was to ensure that the structure was in accordance with the Group's policy on recruitment of an executive director. Furthermore, the Committee ensured that careful judgement was applied on where to position the Group relative to international banking peers so that Bill's remuneration was competitive, reflected his individual experience and was appropriate for such a role.

Each of the elements of Bill's ongoing remuneration package are summarised in the table below, followed by a description of his buy-out award:

Element	Details
Salary	$1,757,335
Fixed pay allowances	$1,757,335 paid in shares, released over five years
Benefits	Will be provided in accordance with the remuneration policy
Pension	40 per cent of salary
Variable remuneration	Maximum variable remuneration opportunity of up to 200 per cent of fixed remuneration No provisions for any guaranteed annual incentive or guaranteed variable remuneration amount in respect of 2015 were included in Bill's remuneration package The absence of any guaranteed variable remuneration amount has enabled the Committee to retain the flexibility on the determination of the amount and structure of variable remuneration payable to him for 2015

On joining, Bill suffered an immediate loss in value by way of share interests foregone at his previous employer. It was agreed that Bill's entitlement to a buy-out award would be limited in his contract to the lower of: (i) an award with a maximum value of $9.93 million; and (ii) the value foregone at his previous employer.

The terms of his buy-out award were then determined following his appointment to the Board, giving careful consideration of the value foregone at his previous employer. The Group undertook a thorough process to quantify the value of the share interests forfeited which determined that the value foregone was in excess of $9.93 million. As such, the Committee approved a restricted share award of $9.93 million as at the date of grant (22 September 2015), the maximum agreed under the joining arrangements.

Although the value foregone by Bill was an actual immediate and measurable loss in value suffered by him, it was determined that the buy-out award would be granted in the form of restricted shares vesting in three equal portions after two, three and four years. The restricted shares will lapse if Bill ceases employment with the Group prior to the relevant vesting dates (other than in limited eligible leaver circumstances). This approach provides alignment with shareholders and retention. On the basis that no performance measures applied to the shares constituting the value foregone by Bill, no performance measures were attached to the vesting of the restricted shares.

As a result of the analysis carried out prior to the grant of the buy-out award, the Committee was satisfied that the buy-out award was significantly lower in value than the value of the share interests foregone at Bill's previous employer.

Payments for loss of office (audited)

Peter Sands, Jaspal Bindra and V Shankar stepped down from the Board during the year. The remuneration they received when they were executive directors is set out in the single total figure table below. Specific details on the remuneration arrangements on leaving for Peter and Jaspal were included in the announcement to the London Stock Exchange of 26 February 2015, and for V Shankar in the announcement of 1 April 2015. They each received payments in the period from the date they ceased to be a director, in accordance with their contracts of employment, as set out below:

	Peter Sands	Jaspal Bindra[1]	V Shankar
Date ceased to be an executive director	10 Jun 2015	30 Apr 2015	30 Apr 2015
Period payments made until	31 Dec 2015	31 Dec 2015	11 Oct 2015
Salary received	$952,990	$558,952	$388,771
Fixed pay allowance	$612,500	$383,333	$239,583
Benefits[2]	$85,711	$710,523	$297,176
Pension	$716,478[3]	$272,597	$155,508
Statutory end of service gratuity per UAE employment law	–	–	$286,926
Payment in lieu of notice (PILON)	$285,189[4]	–	–
Total	$2,652,868	$1,925,405	$1,367,964

1. Jaspal Bindra remains employed until 25 February 2016, the end of his 12-month notice period
2. In line with market practice, the Group paid for appropriate professional legal fees incurred by all directors in respect of finalising their termination arrangements, which amounted to $4,584 for both Peter and V Shankar and $5,770 for Jaspal. These amounts are included in the benefits figures above
3. Peter's pension entitlement was augmented by 56 days in lieu of the balance of his notice period. The pension figure provided is inclusive of this augmentation
4. PILON paid to Peter in December 2015 in lieu of the balance of his notice period and calculated based on 56 days' salary, cash allowance and the cost of life assurance and medical cover

In addition, the Committee exercised its discretion in accordance with the rules of the share plans, under which these directors held unvested awards, and determined that they should be treated as eligible leavers, and as such be allowed to retain any unvested share awards. These awards will continue to vest over the original vesting periods and remain subject to the application of malus and claw-back and the satisfaction of the performance measures. This discretion was exercised by the Committee after considering the nature of the directors' departure and such discretion has been exercised and reported in line with Stock Exchange of Hong Kong requirements.

Payments to former executive directors (audited)

Richard Meddings and Steve Bertamini stepped down from the Board during 2014. They each received payments for the period from the date they ceased to be an executive director until 8 January 2015, in accordance with their contracts of employment and their 12-month notice periods. Richard received salary of $27,784, benefits of $29,565 and pension of $6,711. Steve received salary of $23,077, benefits of $172,867 (in line with his contract and as outlined in the Stock Exchange announcement of 9 January 2014, he and his family were entitled to relocation benefits at the end of employment) and pension of $8,423.

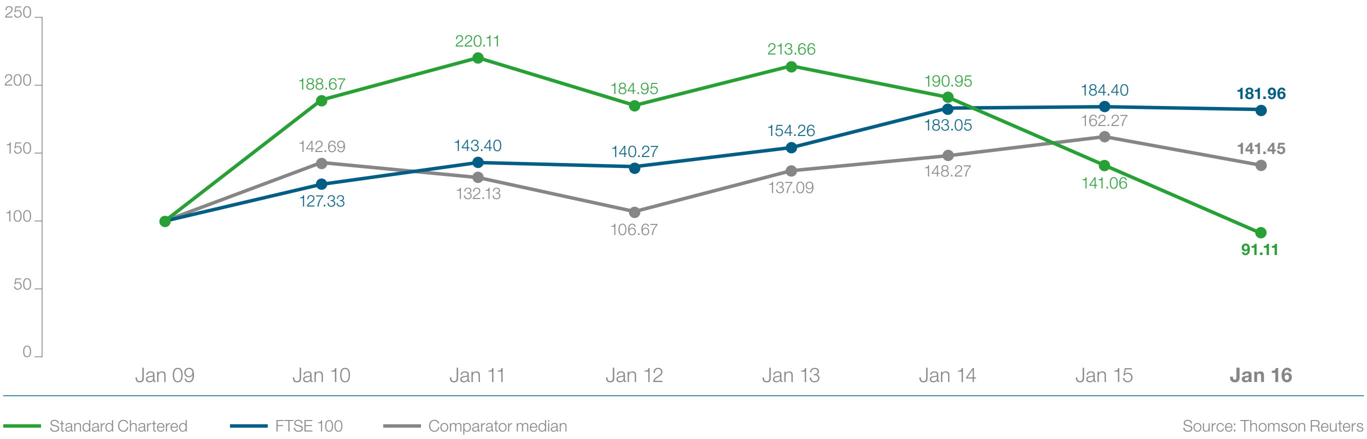
In addition, Richard and Steve were awarded shares under an LTIP in 2013, whose vesting was dependent on performance over the three years ended 31 December 2015. Performance measures were not met and so the awards will lapse.

Group Performance versus the Group Chief Executive's remuneration

Summary of performance

The graph below shows the Group's TSR performance on a cumulative basis over the past seven years alongside that of the FTSE 100 and the table below shows the historic levels of remuneration of the Group Chief Executive. The FTSE 100 provides a broad comparison group against which shareholders may measure their relative returns. Standard Chartered is a constituent member of the FTSE 100 Index and the London Stock Exchange is the principal exchange for the Group's shares. For illustrative purposes the Group's TSR performance against the peer banks that were part of the Group's performance share award comparator group in a particular year is also shown.

Percentage growth of TSR since the end of 2008



Source: Thomson Reuters

Historic Group Chief Executive remuneration

The table below shows the historic levels of pay for the Group Chief Executive, his awards not subject to further performance measures and his awards subject to further performance measures, as a proportion of plan or policy maxima.

	Performance year						
	2009	2010	2011	2012	2013	2014	2015
Group Chief Executive	P A Sands	P A Sands	P A Sands	P A Sands	P A Sands	P A Sands	P A Sands & W T Winters[1]
Single figure of total remuneration $000	11,139	12,305	12,469	11,014	6,842	5,095	1,972 (PAS) 12,833 (WTW)
Annual incentive as a percentage of maximum opportunity	64%	70%	70%	63%	50%	0%	0% (PAS) 0% (WTW)
Vesting of LTIP awards as a percentage of maximum	81%	90%	90%	77%	33%	10%	0% (PAS) N/A (WTW)

1. Peter Sands stepped down from the Board on 10 June 2015. Bill Winters was employed by the Group from 1 May 2015 and was appointed Group Chief Executive with effect from 10 June 2015.

The percentage change in remuneration of the Group Chief Executive and all employees

The table below shows the percentage change in remuneration between the 2014 and 2015 performance years for the Group Chief Executive and the wider employee population.

Remuneration element	CEO[1,2] % change	All employees[3,4] % change
Salaries	0%	1.7%
Taxable benefits	8%	16.2%
Annual incentive	N/A	(22)%

1. Peter Sands stepped down from the Board on 10 June 2015 and Bill Winters became Group Chief Executive with effect from 10 June 2015. To facilitate a year-on-year comparison, the CEO percentage change shown is the change between Peter's salary and benefits between 2014 and 2015 on an annualised basis
2. No annual incentive was paid to the Group Chief Executive in respect of 2014 and 2015 performance
3. For the 'all employees' group, the taxable benefits for UK employees have been used, as it was deemed the most appropriate comparison for the Group Chief Executive given the varied requirements in the provision of benefits across different jurisdictions
4. For the 'all employees' group, the salary and incentives data for the global employee population who are eligible to receive discretionary annual incentives has been used, as those employees have an element of incentive awards

Shareholder voting and shareholder engagement

The table below shows the votes cast at the AGM in May 2015 on remuneration-related matters.

	For	Against	Withheld
Advisory vote on the 2014 remuneration report	447,504,383 (97.35%)	12,178,078 (2.65%)	13,118,407

Although the 2014 remuneration report was well supported, the Committee considered feedback it received from shareholders prior to and following the vote on the 2014 remuneration report. Some feedback related to comments on the design of the remuneration policy, rather than how the policy was operated. Although shareholders and investor bodies have a range of views, there were some common themes, and the table below summarises the feedback received and the action taken to address this feedback in the proposed directors' remuneration policy.

Feedback received	Action taken
The proportion of variable remuneration subject to stretching performance measures should be increased	LTIP awards will comprise at least 120 per cent of fixed remuneration (i.e. at least 60 per cent of the variable remuneration opportunity) and will be subject to stretching, long-term performance measures
The variable remuneration structure is complex given the introduction of underpin shares	Variable remuneration has been restructured, with a simpler split between an annual incentive and an LTIP award
The underpin shares should have performance measures like the LTIP awards	Underpin shares will no longer be delivered and the vesting of LTIP awards will be subject to stretching long-term performance measures
The LTIP awards for eligible leavers should be prorated for time served	On termination, eligible leavers' LTIP awards granted from the AGM in May 2016 will vest pro rata for time served during the period over which performance measures are measured

How the remuneration policy will be implemented for executive directors in 2016

The table below summarises the remuneration policy for executive directors that is to be put to shareholders for approval at the AGM in May 2016 and how that policy will be implemented in 2016.

Element	Implementation in 2016
Salary	Executive director salaries will be unchanged in amount from 2015: • Bill Winters: $1,757,335 • Mike Rees: $1,489,914 • Andy Halford: $1,298,900
Fixed pay allowances	Executive director FPAs will be unchanged in amount from 2015: • Bill Winters: $1,757,335 • Mike Rees: $1,000,000 • Andy Halford: $700,000
Benefits	Will be provided in accordance with the remuneration policy
Pension	Unchanged in amount from 2015. 40 per cent of salary (except for Mike Rees whose pension will be fully accrued in February 2016)
Annual incentive	For awards in respect of 2016, the maximum annual incentive opportunity will be 40 per cent of fixed pay (defined as salary, FPA and pension). The annual incentive awarded in respect of 2016 will be determined based on a balanced scorecard, shown on page 126
LTIP	For awards in respect of 2016, the maximum LTIP opportunity will be 160 per cent of fixed pay (defined as salary, FPA and pension). The LTIP awarded in respect of 2016 will be made in 2017 and will vest subject to performance measures determined by the Committee prior to grant

2016 annual incentive scorecard

The measures in the scorecard have been determined to be aligned with the Group's strategy and in consultation with shareholders. The targets are set annually by the Committee and take into account the Group's annual financial plan and its priorities for the next few years within the context of the economic environment. The Committee considers such targets to be commercially sensitive and that it would be detrimental to the interests of the Group to disclose them before the end of the financial year. Targets will be disclosed in the 2016 directors' remuneration report alongside the actual level of performance achieved.

The Committee will review the scorecard annually and may vary the measures, weightings and targets each year.

Step 1: Gateway requirement to be met in order to be eligible for any annual incentive		
Appropriate level of individual values and conduct exhibited during the course of the year		
Step 2: Measurement of performance against financial and other strategic measures		
Financial measures	**Weighting**	**Target**
Total income[1]	10%	• Target to be disclosed to shareholders retrospectively[5]
Operating profit[2]	15%	• Target to be disclosed to shareholders retrospectively[5]
RoE[3] plus CET1[4] underpin of 12%	25%	• Target to be disclosed to shareholders retrospectively[5]
Other strategic measures	**Weighting**	**Target[6]**
Secure the foundations	20%	• Improve quality of loan book as evidenced by a decrease in the non-performing loan flow rate • Progress in liquidating and exiting identified $25 billion non-strategic assets • Successfully execute Group's financial crime risk and other conduct-related mitigation and remediation programmes
Get lean and focused	15%	• Achieve cost-efficiency target • Restructure in Corporate & Institutional Banking and overhaul Commercial Banking as evidenced by a reduction in the percentage of RWA generating below threshold returns • Accelerate Retail Banking transformation
Invest and innovate	15%	• Grow Private Banking and Wealth Management assets under management • Up-tier Retail Banking by growing the number of priority clients • Increase digital penetration as evidenced by increased adoption of Retail Banking and Corporate Banking clients

1. Total income is based on underlying operating income, excluding any fair value changes relating to own credit, gains/losses on disposals and material one-off changes to valuation methodologies which align with market practice and which are not representative of underlying business performance
2. Operating profit is based on underlying operating profit which excludes fair value changes relating to own credit and material one-off gains/losses such as disposals, other acquisitions and corporate-related activity, goodwill impairment, material one-off changes to valuation methodologies to align with market practice and restructuring charges, which are not representative of underlying business performance. Underlying profit would normally exclude regulatory fines but, for remuneration purposes, this would be subject to review by the Remuneration Committee
3. Normalised RoE will be based on profit attributed to ordinary shareholders, adjusted, on a tax affected basis, for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent and infrequent/exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period. This includes material one-off changes to valuation methodologies to align with market practice and restructuring charges. Normalised RoE would normally exclude regulatory fines but, for remuneration purposes, this would be subject to review by the Remuneration Committee
4. CET1 is based on regulatory definitions and modelling assumptions as at 1 January 2016. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period
5. There will be detailed retrospective disclosure of financial target ranges and the outcomes against both financial and strategic measures
6. Aligned to internal scorecards measuring in-year progress on multi-year initiatives

Executive directors' share interests including share awards

Scheme interests awarded, exercised and lapsed during the year (audited)

The following table shows the changes in share interests.

		Changes in interests during 2015							
	As at 1 January	Awarded[1]	Dividends awarded	Rights issue adjustment[2]	Exercised[3]	Lapsed	As at 31 December[4]	Performance period end or first vest	Last vesting date
W T Winters									
Restricted shares (buy-out)	–	299,647	–	15,175	–	–	314,822	22 Sep 2017	22 Sep 2017
	–	299,647	–	15,175	–	–	314,822	22 Sep 2018	22 Sep 2018
	–	299,737	–	15,179	–	–	314,916	22 Sep 2019	22 Sep 2019
A M G Rees									
LTIP 2011-13	56,197	–	–	2,845	–	–	59,042	31 Dec 2013	06 May 2014
LTIP 2012-14	192,745	–	–	976	–	173,471	20,250	31 Dec 2014	13 Mar 2015
LTIP 2013-15	150,489	–	–	7,621	–	–	158,110	31 Dec 2015	11 Mar 2016
LTIP 2014-16	193,895	–	–	9,819	–	–	203,714	31 Dec 2016	13 Mar 2017
Deferred shares 2011	88,409	–	4,553	4,707	–	–	97,669	13 Mar 2015	13 Mar 2015
Deferred shares 2012	66,583	–	3,511	3,546	–	–	73,640	11 Mar 2015	11 Mar 2015
	66,606	–	3,348	3,546	–	–	73,500	11 Mar 2016	11 Mar 2016
Deferred shares 2013	63,009	–	3,244	3,355	–	–	69,608	13 Mar 2015	13 Mar 2015
	63,009	–	3,244	3,355	–	–	69,608	13 Mar 2016	13 Mar 2016
	63,010	–	3,248	3,356	–	–	69,634	13 Mar 2017	13 Mar 2017
A N Halford									
LTIP 2014-16	128,545	–	–	6,509	–	–	135,054	31 Dec 2016	18 Jun 2017
LTIP 2015-17	–	27,154	–	1,375	–	–	28,529	31 Dec 2017	19 Mar 2018
Deferred shares 2014	–	12,310	–	622	–	–	12,932	19 Mar 2016	19 Mar 2018
	–	12,310	–	622	–	–	12,932	19 Mar 2017	19 Mar 2018
	–	12,310	–	626	–	–	12,936	19 Mar 2018	19 Mar 2018
Underpin shares 2015-17	–	13,577	–	687	–	–	14,264	31 Dec 2017	19 Mar 2018
	–	13,577	–	687	–	–	14,264	31 Dec 2019	19 Mar 2020
Sharesave	–	1,535	–	77	–	–	1,612	01 Dec 2018	–
P A Sands									
LTIP 2012-14	239,127	–	–	–	23,912	215,215	0	31 Dec 2014	13 Mar 2015
LTIP 2013-15	186,329	–	–	–	–	–	186,329	31 Dec 2015	11 Mar 2016
LTIP 2014-16	201,166	–	–	–	–	–	201,166	31 Dec 2016	13 Mar 2017
Deferred shares 2011	30,943	–	1,593	–	32,536	–	0	13 Mar 2015	13 Mar 2015
Deferred shares 2012	23,304	–	1,200	–	24,504	–	0	11 Mar 2015	11 Mar 2015
	23,312	–	1,201	–	–	–	24,513	11 Mar 2016	11 Mar 2016
Deferred shares 2013	24,234	–	1,248	–	25,482	–	0	13 Mar 2015	13 Mar 2015
	24,234	–	1,248	–	–	–	25,482	13 Mar 2016	13 Mar 2016
	24,242	–	1,249	–	–	–	25,491	13 Mar 2017	13 Mar 2017
Sharesave	789	–	–	–	–	–	789	01 Dec 2015	–

Scheme interests awarded, exercised and lapsed during the year (audited) continued

	Changes in interests during 2015								
	As at 1 January	Awarded[1]	Dividends awarded	Rights issue adjustment[2]	Exercised[3]	Lapsed	As at 31 December[4]	Performance period end or first vest	Last vesting date
J S Bindra									
LTIP 2012-14	119,563	–	–	–	11,956	107,607	0	31 Dec 2014	13 Mar 2015
LTIP 2013-15	100,742	–	–	–	–	–	100,742	31 Dec 2015	11 Mar 2016
LTIP 2014-16	109,551	–	–	–	–	–	109,551	31 Dec 2016	13 Mar 2017
Deferred shares 2011	15,914	–	820	–	16,734	–	0	13 Mar 2015	13 Mar 2015
Deferred shares 2012	12,947	–	667	–	13,614	–	0	11 Mar 2015	11 Mar 2015
	12,950	–	667	–	–	–	13,617	11 Mar 2016	11 Mar 2016
Deferred shares 2013	13,572	–	698	–	14,270	–	0	13 Mar 2015	13 Mar 2015
	13,572	–	698	–	–	–	14,270	13 Mar 2016	13 Mar 2016
	13,574	–	701	–	–	–	14,275	13 Mar 2017	13 Mar 2017
Sharesave	1,407	–	–	–	–	–	1,407	01 Dec 2014	–
Sharesave	913	–	–	–	–	913	0	01 Dec 2017	–
V Shankar									
LTIP 2012-14	92,764	–	–	–	9,276	83,488	0	31 Dec 2014	13 Mar 2015
LTIP 2013-15	106,983	–	–	–	–	–	106,983	31 Dec 2015	11 Mar 2016
LTIP 2014-16	123,608	–	–	–	–	–	123,608	31 Dec 2016	13 Mar 2017
Deferred shares 2011	28,291	–	1,457	–	29,748	–	0	13 Mar 2015	13 Mar 2015
Deferred shares 2012	14,426	–	743	–	15,169	–	0	11 Mar 2015	11 Mar 2015
	14,431	–	743	–	–	–	15,174	11 Mar 2016	11 Mar 2016
Deferred shares 2013	14,444	–	743	–	15,187	–	0	13 Mar 2015	13 Mar 2015
	14,444	–	743	–	–	–	15,187	13 Mar 2016	13 Mar 2016
	14,447	–	746	–	–	–	15,193	13 Mar 2017	13 Mar 2017

1. For awards granted in 2015 to Bill Winters on 22 September 2015 the share price at grant was £7.23 and the face value was $9.93 million. No performance measures apply. For awards granted in 2015 to Andy Halford on 19 March 2015, the share price at grant was £10.43 and the face value was $1.54 million. Performance measures apply to LTIP 2015-17 and underpin shares 2015-17 but no performance measures apply to the Deferred shares 2014. For the Sharesave award to Andy granted on 7 October 2015, the share price at grant was £7.32, the exercise price is £5.58 and the face value at grant was $16,809. No performance measures apply. The share price at grant was calculated as the higher of the five-day average closing price and the closing price on the day before the grant date (or invitation date in the case of Sharesave)
2. For awards granted prior to the announcement of the rights issue in November 2015, and which had not been exercised or lapsed as of 1 December 2015 in relation to Sharesave awards, and 14 December 2015 in relation to other awards, the number of shares under award has been increased by approximately 5 per cent. The adjustment follows the standard approach that companies apply to employee shares awards in the event of a rights issue
3. All 2015 exercises shown took place on 13 March 2015. The closing price was £9.09 on 13 March 2015, based on this share price, the gains realised on exercise were as follows: Peter Sands: LTIP 2012-14: $332,152; Deferred shares 2011: $451,944; Deferred shares 2012: $340,375; Deferred shares 2013: $353,960, Jaspal Bindra: LTIP 2012-14: $166,076; Deferred shares 2011: $232,445; Deferred shares 2012: $189,106; Deferred shares 2013: $198,219, V Shankar: LTIP 2012-14: $128,849; Deferred shares 2011: $413,217; Deferred shares 2012: $210,706; Deferred shares 2013: $210,956
4. All figures are as at 31 December 2015 or on the retirement of an executive director (i.e. 10 June 2015 for Peter Sands and 30 April 2015 for Jaspal Bindra and V Shankar). There were no changes to any executive director's scheme interests in ordinary shares between 31 December 2015 and 22 February 2016

Shareholdings and share interests (audited)

Executive directors are required to maintain a shareholding as determined by the Committee. Executive directors must build up their shareholding over a reasonable timeframe from the date of appointment as an executive director (or, if later, from the date of any change to the terms of the shareholding requirement). Shares that count towards the requirement are beneficially owned shares including any vested share awards subject only to a holding period.

The shareholding requirement is currently expressed as a number of shares and is set as:

- 250,000 shares for the Group Chief Executive
- 200,000 shares for the Deputy Group Chief Executive
- 150,000 shares for the Group Chief Financial Officer

In addition to the shareholding requirement, executive directors hold a considerable number of shares as part of the FPA shares which are held and released over five years. Unreleased FPA shares are not counted for the purposes of the above shareholding requirement.

The following table summarises the executive directors' shareholdings and share interests[1].

	Are the shareholding requirements met?				Share awards		
	Shares held beneficially[2,3]	Shareholding as a percentage of salary[4]	Actual shareholding requirement in number of shares	Alignment to requirement	Vested but unexercised share awards	Unvested share awards not subject to performance measures	Unvested share awards subject to performance measures
W T Winters[5]	294,473	200	250,000	On track	–	944,560	–
A M G Rees	345,531	277	200,000	Met	320,209	212,742	361,824
A N Halford[5]	140,849	129	150,000	On track	–	40,412	192,111
Former directors							
P A Sands[6]	322,341	N/A	N/A	N/A	–	76,275	387,495
J S Bindra[7]	283,247	N/A	N/A	N/A	–	43,569	210,293
V Shankar[7]	236,127	N/A	N/A	N/A	–	45,554	230,591

1. All figures are as at 31 December 2015 or on the retirement of an executive director, unless stated otherwise. There were no changes to any executive directors' interests in ordinary shares between 31 December 2015 and 22 February 2016. No director had either (i) an interest in the Company's preference shares or loan stocks of any subsidiary or associated undertaking of the Group or (ii) any corporate interests in the Company's ordinary shares
2. The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The executive directors do not have any non-beneficial interests in the Company's shares
3. FPA shares are beneficially held by each executive director and do not immediately count for the purposes of meeting their shareholding requirement. The level of unreleased FPA shares are: Bill Winters: 59,035; Mike Rees: 62,650; and Andy Halford: 37,019
4. Shareholding as a percentage of salary is calculated using the average of the Company's high and low closing share price in 2015 (£7.81)
5. Bill Winters joined the Board on 10 June 2015 and Andy Halford on 1 July 2014 – they will meet their shareholding requirements within a reasonable period of time
6. Peter Sands stepped down from the Board on 10 June 2015. Figures shown are as at 10 June 2015
7. Jaspal Bindra and V Shankar stepped down from the Board on 30 April 2015. Figures shown are as at 30 April 2015. 153,000 of Jaspal Bindra's shares are subject to a charge dated 28 December 2011

Shareholder dilution

All awards vesting under the Group's share plans are satisfied by the transfer of existing shares or, where appropriate, the issuance of new shares. The Group's share plans contain monitored limits that govern both the aggregate amount of awards that may be granted and the amount of shares that may be issued to satisfy any subsequent exercise of awards. These limits are in line with those stated in the *Investment Association's Principles of Remuneration* and the terms of our listing on The Stock Exchange of Hong Kong Limited.

The Group has two employee benefit trusts that are administered by an independent trustee and which hold ordinary shares to meet various obligations under the Group's share plans. As each executive director is within the class of beneficiary of these trusts, they are deemed, for the purposes of the Companies Act 2006, to have an interest in the trusts' shares.

Service contracts for executive directors

Copies of the executive directors' service contracts are available for inspection at the Group's registered office. These contracts have rolling 12-month notice periods and the dates of the executive directors' service contracts are shown below. Executive directors are permitted to hold non-executive directorship positions in other organisations (but no more than one position with a FTSE 100 company). Where such appointments are agreed with the Board, the executive directors may retain any fees payable for their services. The following executive directors served as non-executive directors elsewhere and received fees or other benefits for the period covered by this report.

	Date of employment contract[1]	Details of any non-executive directorship	Fees retained for any non-executive directorship (local currency)
W T Winters	25 Feb 2015	Novartis International AG Pension Insurance Corporation	CHF 325,000 £65,327
A M G Rees	7 Jan 2010	–	–
A N Halford	10 Feb 2016	Marks and Spencer Group plc	£85,000
Former directors			
P A Sands	31 Dec 2003	MAS International Advisory Panel The Department of Health	Fees given to charity Fees waived
J S Bindra	8 May 2013	Reckitt Benckiser Group plc	£102,500
V Shankar	14 Apr 2010	Majid Al Futtaim Holding LLC	$300,000

1. Date the latest employment contract was entered into, not date of taking up employment with the Group

Remuneration arrangements for the Group Chairman and independent non-executive directors

Single figure of remuneration of the Group Chairman and independent non-executive directors (audited)

Sir John Peace's total fee remained $1,757,335 and this continued to be paid partly in cash and partly in shares. He was also provided with a car and driver for business purposes, and private healthcare.

The iNEDs were paid in 12 equal monthly instalments during the year. UK-based iNEDs were able to use up to 100 per cent of their monthly post-tax base fees to acquire shares in the Group (Monthly Share Purchase Scheme).

The tables below show the fees and benefits received by the Group Chairman and iNEDs in 2015.

	Fees $000		Benefits $000		Total $000		Shares beneficially held as at 31 December 2015[1,2]
	2015	2014	**2015**	2014	**2015**	2014	
Chairman							
Sir John Peace	**1,757**	1,894	**32**	6	**1,789**	1,900	**246,681**

	Fees $000		Benefits $000		Total $000		Shares beneficially held as at 31 December 2015[1,3]
	2015	2014	**2015**	2014	**2015**	2014	
Current iNEDs							
O P Bhatt	**199**	214	**53**	44	**252**	258	**2,000**
Dr K M Campbell	**199**	169	**10**	10	**209**	179	**–**
Dr L Cheung	**199**	214	**40**	67	**239**	281	**2,571**
G Huey Evans, OBE[4]	**139**	–	**–**	–	**139**	–	**2,571**
Dr B E Grote	**244**	132	**–**	–	**244**	132	**32,142**
C M Hodgson	**382**	292	**4**	–	**386**	292	**2,571**
N Kheraj	**415**	324	**8**	1	**423**	325	**2,571**
S J Lowth[5]	**244**	214	**3**	3	**247**	217	**14,893**
Dr Han Seung-soo, KBE	**199**	214	**61**	326	**260**	540	**3,474**
Dr L Thunell[6]	**374**	356	**7**	3	**381**	359	**8,708**
J Whitbread[7]	**155**	–	**–**	–	**155**	–	**2,571**
Former iNEDs							
R Markland[8]	**315**	453	**8**	5	**323**	458	**5,610**
P D Skinner, CBE[8]	**359**	387	**8**	6	**367**	393	**22,014**
O H J Stocken, CBE[9]	**33**	214	**–**	–	**33**	214	**17,915**

1. The iNEDs are required to hold shares with a nominal value of $1,000. All the directors, other than Dr Kurt Campbell, have met this requirement. Shareholders approved a resolution to disapply the shareholding qualification in relation to Dr Kurt Campbell at the Company's AGM in May 2014. This was in connection with the terms of the then proposed appointment of Dr Kurt Campbell's wife to the Board of Governors of the United States Federal Reserve System
2. No director had either (i) an interest in the Company's preference shares or loan stocks of any subsidiary or associated undertaking of the Group or (ii) any corporate interests in the Company's ordinary shares
3. The beneficial interests of directors and their related parties 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
4. Gay Huey Evans joined the Board on 1 April 2015
5. The number of shares which Simon Lowth holds beneficially has increased by 110 shares in the period from 31 December 2015 to 22 February 2016 due to his participation in the Monthly Share Purchase Scheme. There were no changes to any of the other iNEDs' interests in ordinary shares between 31 December 2015 and 22 February 2016
6. Dr Lars Thunell resigned from the Board with effect from 31 January 2016
7. Jasmine Whitbread joined the Board on 1 April 2015
8. Ruth Markland and Paul Skinner resigned from the Board with effect from 31 December 2015
9. Oliver Stocken resigned from the Board with effect from 28 February 2015

Additional information to explain the single total figure table for the Group Chairman and independent non-executive directors

Benefits primarily consist of travel and subsistence costs in relation to Board and Committee meetings and other Board-related events which are taxable in the UK. Spouses may also accompany the directors to meetings. These costs (and any associated tax costs) are paid by the Group.

The 2015 benefits figures shown are in respect of the 2014/15 tax year. This provides consistency with the reporting of similar benefits in 2014 and with those received by executive directors.

Exercise of share awards by the Group Chairman (audited)

From his appointment in 2009 until the end of 2013, part of Sir John's total fee was delivered in an allocation of restricted shares. During 2015, Sir John exercised a number of vested awards. On exercise, shares were sold to cover the associated tax liabilities, with the balance of the shares retained.

Date of grant	Number of shares under award	Rights issue adjustment	Number of shares exercised	Date of exercise[1]	Number of shares under award – unvested
28 Sep 2009	43,105	–	43,105	2 Apr 2015	–
21 Sep 2010	21,552	–	21,552	2 Apr 2015	–
22 Jun 2011	14,863	–	14,863	2 Apr 2015	–
20 Sep 2011	18,491	–	18,491	2 Apr 2015	–
13 Mar 2012	15,974	–	15,974	2 Apr 2015	–
21 Dec 2012	7,891	–	7,891	2 Apr 2015	–
21 Dec 2012	7,891	399	8,290	21 Dec 2015	–
11 Mar 2013	13,888	351	6,944	2 Apr 2015	7,295
17 Dec 2013	19,142	969	10,055	21 Dec 2015	10,056

1. The closing share price on the respective dates of exercise and total gains were as follows: £10.76 and $2,118,128 (2 April 2015) and £5.49 and $153,903 (21 December 2015)

Fees (audited)

The iNEDs' fees were not reviewed during 2015. The fees were last reviewed in 2013 and were set based on the duties, time commitment and contribution expected and alignment to fees paid to iNEDs in banks and other companies of a similar scale and complexity.

The following fees were paid to the iNEDs in 2015:

	$000	
	As at 1 January 2015[1]	As at 1 January 2014
Board member	**153**	165
Additional responsibilities		
Senior Independent Director	**61**	66
Chair – Audit Committee – Board Risk Committee	**107**	115
Chair – Board Financial Crime Risk Committee – Brand, Values and Conduct Committee – Remuneration Committee	**92**	99
Membership – Audit Committee – Board Financial Crime Risk Committee – Board Risk Committee – Brand, Values and Conduct Committee – Remuneration Committee	**46**	49
Membership of Governance and Nomination Committee	**23**	25

1. Amounts are unchanged in British pounds from 2014 to 2015 but have changed in US dollar terms due to exchange rate movements

How the remuneration policy will be implemented for independent non-executive directors in 2016

There are no proposed changes to how the policy will be implemented in 2016.

Independent non-executive directors' letters of appointment

The iNEDs do not have service contracts and copies of their letters of appointment are available for inspection at the Group's registered office. Details of the iNEDs' appointments are set out on page 143.

The Remuneration Committee

Remuneration Committee members, attendance and attendees

The table below sets out the attendance at the Committee's meetings during the year.

	Scheduled meetings	Ad hoc meetings
C M Hodgson (Chair)	5/5	3/3
Dr L Cheung	5/5	3/3
J Whitbread (appointed on 16 June 2015)	3/3	N/A
Dr B E Grote (appointed on 16 June 2015)	3/3	N/A
N Kheraj (appointed on 1 November 2015)	1/1	N/A
Directors who stepped down during 2015		
R Markland	5/5	3/3
P D Skinner, CBE	5/5	3/3

Other attendees at Committee meetings include: Group Chairman; Group Chief Executive; Director, Compliance and HR; Global Head, Performance, Reward and Conduct; Group Company Secretary; Group Chief Financial Officer; Group Chief Risk Officer; Group General Counsel.

The Committee recognises and manages any conflicts of interest when receiving views from executive directors or senior management on executive remuneration proposals and no director is involved in deciding his or her own remuneration.

The Committee was assisted in its considerations by PricewaterhouseCoopers LLP (PwC), who was appointed by the Committee as its remuneration advisor in November 2013 following a review of potential advisors. It is the Committee's practice to undertake a detailed review of potential advisors every three to four years. PwC's appointment was initially extended by the Committee in September 2014 and then most recently in January 2016 until July 2017 after a review of the quality of advice received.

PwC is a signatory to the voluntary Code of Conduct in relation to remuneration consulting in the UK. PwC also provides professional services in the ordinary course of business including assurance, advisory and tax advice to the Group, and the Committee is satisfied that the advice the Committee receives is objective and independent. In light of PwC's role as advisor to the Committee on remuneration matters, the Committee considered this position and determined that there was no conflict or potential conflict arising. The fee paid to PwC was $344,002, which was charged on an agreed per diem fee basis. This fee covers advice to the Committee relating to executive directors' remuneration.

Management's advice to the Committee was also supported by:

- Advice on the design and operation of the Group's share plans and issues relating to executive directors' contracts and iNEDs' letters of appointment and remuneration policy advice from Clifford Chance LLP
- The provision of market data from Towers Watson

Committee role and focus

The Committee has oversight of all reward policies for Standard Chartered employees. It is responsible for setting the principles and governance framework for all remuneration decisions.

In particular, the Committee:

- Determines and agrees with the Board the framework and broad policy for the remuneration of the Group Chairman, Group Chief Executive, the executive directors and other designated senior executives
- Approves any proposal to award a high remuneration package to new recruits
- Oversees the remuneration of material risk takers
- Ensures that the remuneration policy is appropriate and consistent with effective risk management
- Approves the Group variable remuneration each year

The Committee's key activities during 2015

Date	Fixed and variable remuneration	Governance risk and other matters
February/March	• Consider and approve aggregate Group 2014 variable remuneration • Review and approve variable remuneration awards for executive directors, other senior management and material risk-takers • Approve 2015 fixed remuneration for executive directors and other senior management • Discuss future structure of executive directors' remuneration • Review a) achievement of measures for performance share awards vesting in March and b) appropriateness of the measures and targets for grants in 2015	• Update on risk and control matters and performance adjustment • Review and finalise the 2014 directors' remuneration report • Approve termination arrangements for retiring executive directors • Approve remuneration arrangements for new executive director
April	• Review 2015 targets under the variable remuneration scorecard in light of full year 2014 results and shareholder reaction	
June	• Consider shareholder feedback and AGM outcomes and any impact on future structure of executive directors' remuneration • Discuss Group's approach to all employee incentives	• Consider feedback from regulators in respect of 2014 remuneration cycle • Discuss regulatory remuneration requirements
September	• Consider future structure of executive directors' remuneration • Review remuneration of senior management • Review total remuneration control framework	• Update on risk and control matters • Discuss regulatory remuneration requirements • Approve submission of data to the PRA and Financial Conduct Authority (FCA) • Approve revisions to Group's policies, including claw-back
December	• Consider approach to the Group-wide 2015 performance, pay and potential review • Consider Group 2015 variable remuneration amount and structures for delivery • Review approach to risk adjustment for the Group variable remuneration and individual awards • Review fixed and variable remuneration proposals for executive directors and other senior management	• Update on risk and control matters • Approve the Group's Remuneration Policy Statement submission to the PRA • Assess Remuneration Committee effectiveness

At each scheduled meeting, the Committee also discussed the emerging regulatory and shareholder trends and reviewed analytics relating to offers, fixed and variable remuneration and performance measures. The Committee also dealt with certain less material matters on an ad hoc basis through email circulation.

Summary of the themes identified in the 2015 Committee effectiveness review and actions taken/to be taken

At the end of most meetings, Committee members provided real-time feedback to enhance the Committee's effectiveness. In addition, as part of the effectiveness review for the entire Board, a formal evaluation of the Committee was undertaken. This involved each Committee member providing their views on the Committee's effectiveness. A summary of the themes and actions is set out below:

- Continue to hold individual briefing sessions with each Committee member ahead of Committee meetings to assist members in focusing on the main issues for discussion
- The Committee suggested there is a need to continue to strike the right balance between providing the Committee with a summary of the main issues for consideration and the details to support such Committee discussions. Consideration will therefore continue to be given to the nature and the evolution of the information to be provided to the Committee. Short papers with separate reference materials are available electronically

Priorities for the Committee in 2016

Specific priorities for the Committee in 2016, in addition to its usual scheduled activities, will be:

- Continue to monitor regulatory developments including the UK regulatory response to the final EBA remuneration guidelines. As appropriate, review the executive directors' remuneration policy and, in addition, any arrangements for other material risk takers (MRTs)
- Monitor market trends to ensure the Group's remuneration remains competitive, balanced with the necessity of robustly managing overall costs
- Review the alignment of Group incentives and the delivery of the new strategy

Additional remuneration disclosures

Remuneration approach for all employees

Employees typically receive salary, pension and other benefits and are eligible to be considered for variable remuneration (determined based on both business and individual performance).

Material risk takers (MRTs) are subject to the 2:1 maximum ratio of variable to fixed remuneration.

Further information on the usual remuneration approach for all employees is provided below. There may be some country variations based on statutory requirements and/or market practice.

Element	Operation
Salary	• Salaries reflect individuals' skills and experience and are reviewed annually against market information and in the context of the annual performance assessment and affordability • Increases may occur where there is a role change, increased responsibility or to ensure market competitiveness
Pension and benefits	• Benefits are provided, with the details depending on local market practice. Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance, life insurance and cash allowances. The cost of providing the benefits is defined and controlled • Employees who are relocated or spend a substantial portion of their time in more than one jurisdiction for business purposes may be provided with mobility benefits. If employees incur tax charges when travelling overseas in performance of their duties, these costs may be met by the Group
Variable remuneration	• Variable remuneration rewards and incentivises the achievement of business and individual objectives as well as adherence to the Group's values • The proportion of variable to fixed remuneration paid to employees is carefully monitored • For material risk-takers the deferral rate is a minimum of 40 per cent (for incentives up to £500,000) or 60 per cent (for incentives of £500,000 or more) – see next section for more information • For non-MRT employees, variable remuneration over a defined threshold is subject to a graduated level of deferral • Deferred incentives are usually delivered in a combination of cash and shares • For 2015, for the Group's leadership team, some or all of any variable remuneration for 2015 will be delivered in the form of an award under the management long-term incentive plan (MLTIP). MLTIP awards will be delivered entirely in shares with vesting over three to five years, subject to the satisfaction of performance measures • Incentives are subject to the Group's claw-back policy, which enables the Group, in specified circumstances, to apply malus and claw-back at its discretion
Sharesave	• Sharesave is an all employee plan where participants are able to open a savings contract to fund the exercise of an option over shares • The option price is set at a discount of up to 20 per cent of the share price at the date of invitation (or such other discount as may be determined by the Committee) • An equivalent cash or share plan is offered in countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues)

Fixed pay allowances

In 2015, a number of employees received fixed pay allowances (FPAs). These allowances allow the Group to provide a market-competitive level of fixed pay reflecting the skills and experience of the individual while complying with the variable remuneration requirements introduced by regulators. The Committee reviewed their use in light of revised regulatory guidance in 2015 and from 1 January 2016 FPAs have been eliminated other than for executive directors. In total, these amounted to $28 million in 2015. For those employees with allowances withdrawn, fixed remuneration has been reviewed.

Approach to risk adjustment at an individual level

At an individual level, risk adjustment can potentially be applied through the following ex-post adjustments:

- Proportion of variable remuneration delivered in the form of deferred awards: in 2015, the Group considers the balance of variable remuneration which was deferred and not deferred. As well as ensuring senior employees take a longer-term view, ex-post adjustments are effective because appropriate levels of deferral apply
- Performance adjustment: potential diminution in the value of any deferred variable remuneration award through non-vesting due to performance measures and share price movement until vesting
- Operation of malus and/or claw-back is summarised below:

	Event	Application
Individual level	• Deemed to have (i) caused in full or in part a material loss for the Group as a result of reckless, negligent or wilful actions or (ii) exhibited inappropriate values and behaviours or applied a lack of appropriate supervision	• Malus and claw-back may be applied to whole or part of an award at the Committee's discretion
Business unit and/or Group level	• Material restatement of the Group's financial statements • Significant failure in risk management • Discovery of endemic problems in financial reporting • As a result of financial losses, a material breach of regulatory guidelines • The exercise of regulatory or government action to recapitalise the Group following material financial losses	• Malus and claw-back may be applied to whole or part of an award at the Committee's discretion

Income statement charge for Group variable remuneration

	2015 $million	2014 $million
Total variable remuneration	**992**	1,098
Less: deferred variable remuneration that will be charged in future years	**(168)**	(139)
Plus: current year charge for deferred variable remuneration from prior years	**111**	158
Income statement charge for variable remuneration	**935**	1,117

	Actual		Expected	
Year in which income statement is expected to reflect deferred variable remuneration	2014 $million	**2015 $million**	2016 $million	2017 and beyond $million
Variable remuneration deferred from 2013 and earlier	158	**50**	31	29
Variable remuneration deferred from 2014	62	**61**	42	8
Variable remuneration deferred from 2015	0	**32**	64	103
Total	220	**143**	137	140

The exchange rates used in this report

Unless an alternative exchange rate is detailed in the notes to the relevant table, the exchange rates used to convert all disclosures to US dollars are set out in the table below.

	2015	2014
AED	**3.6730**	3.6730
EUR	**0.9017**	0.7535
GBP	**0.6544**	0.6071
HKD	**7.7526**	7.7547

Pillar 3 disclosures on material risk-takers' remuneration and disclosures on the highest-paid employees

The table below summarises the groups of employees who have been identified in accordance with the regulatory requirements as material risk-takers for remuneration purposes. Individuals have been identified as material risk-takers in alignment with the qualitative and quantitative criteria set out in the EBA's Regulatory Technical Standard EU 604/2014 that came into force in June 2014.

Quantitative criteria	Qualitative criteria
The quantitative criteria captures employees who: • Have been awarded total remuneration of €500,000 or more in the previous financial year • Are within the 0.3 per cent of the number of staff on a global basis who have been awarded the highest total remuneration in the preceding financial year • In the preceding financial year were awarded total remuneration that was equal to or greater than the lowest total remuneration awarded that year to certain specified groups of employees Certain employees can be excluded from the list of material risk-takers if they have no material impact on the Group's risk profile	The qualitative criteria broadly captures the following employees: • Group directors (both executive and non-executive)[1] • Employees who perform a significant influence function, and members of the Group's senior executive team and their immediate direct reports who have significant business or function responsibilities with risk and/or profit and loss accountability[1] • Senior employees within the audit, compliance, legal and risk functions (both at a Group and business level) • Senior employees within material business units • Employees who sit on certain committees • Employees who are able to initiate or approve credit risk exposures above a certain threshold and sign off on trading book transactions at or above a specific value at risk limit

1. These two categories are referred to in the subsequent disclosures as 'senior management'

Remuneration for material risk-takers was delivered in 2015 through a combination of salary, benefits, variable remuneration and, for a small number of employees, an FPA.

Variable remuneration for material risk-takers is structured in line with the PRA and FCA's remuneration rules. For the 2015 performance year, the following will apply to variable remuneration awarded to material risk-takers in accordance with the regulations:

- At least 40 per cent of a material risk-taker's variable remuneration will be deferred over a period of three years
- Non-deferred variable remuneration will be delivered 50 per cent in up-front shares and 50 per cent in cash
- At least 50 per cent of deferred variable remuneration will be delivered entirely in shares
- For some material risk-takers, part of their 2015 variable remuneration may be in share awards which vest after three years, subject to the satisfaction of performance measures
- Variable remuneration awards are subject to the Group's claw-back policy
- Shares delivered to material risk-takers are subject to the Group's holding requirements

The following tables show the remuneration awards made by the Group to material risk-takers for 2015.

Material risk-takers' aggregate 2015 remuneration by business

	Client segments[1] $000	Financial markets $000	Other businesses[2] $000	Corporate functions $000	Independent functions $000	Management[3] $000
2015	**73,265**	**172,620**	**96,980**	**48,023**	**91,802**	**65,291**

1. Client segments include employees supporting clients in Corporate & Institutional Banking, Commercial Banking, Private Banking and Retail Banking
2. Other businesses include employees covering products such as Corporate Finance, Transaction Banking and Wealth Management
3. Management includes all Group executive directors and iNEDs

Material risk takers' 2015 remuneration by fixed/variable remuneration

	Senior management $000	Other material risk-takers $000
Fixed remuneration[1,2]	**96,147**	**236,837**
Variable remuneration[2,3]	**52,382**	**162,615**
Upfront cash	2,278	45,492
Upfront shares	1,917	32,820
Deferred cash	1,297	17,686
Deferred shares including any long-term incentives	46,890	66,617
Number of material risk takers (#)	**89**	**512**

1. Fixed remuneration includes salary, cash allowance and FPA and, in the case of iNEDs, any fees
2. For some material risk-takers, part of their 2015 variable remuneration may be delivered in share awards, vesting subject to performance measures. These awards are shown on an expected value basis
3. The ratio between fixed and variable remuneration for all material risk-takers in 2015 was 1:0.6

Material risk-takers' deferred remuneration in 2015

Analysis of deferred remuneration[1,2]	Senior management $000	Other material risk-takers $000
Start of the year (1 January)	285,750	370,230
Impact of changes to material risk-taker populations including leavers during 2014 and joiners in 2015	(79,040)	(132,356)
Start of the year (1 January) (after adjustments)	**206,710**	**237,874**
Awarded during the year	51,055	86,951
Vested during the year	(49,469)	(88,245)
Non-vested due to performance adjustments	(38,462)	(22,793)
Close of the year (31 December)	**169,834**	**213,787**

1. Value of deferred remuneration awarded during the year is based on the share price at grant
2. Value of deferred remuneration is based on awards which have lapsed during the year as a result of (i) performance measures not being satisfied or (ii) application of malus and/or claw-back

Material risk-takers' sign-on and severance payments in 2015

	Senior management $000	Other material risk-takers $000
Sign-on payments (0 employees)	–	–
Severance payments (8 employees; highest payment of $1.1 million)	**287**	**2,563**

Remuneration at or above €1 million

The table below is prepared in euros in accordance with Article 450 of the Capital Requirements Regulation.

Remuneration band	Number of employees
1,000,001 – 1,500,000	96
1,500,001 – 2,000,000	36
2,000,001 – 2,500,000	14
2,500,001 – 3,000,000	8
3,000,001 – 3,500,000	2
4,000,001 – 4,500,000	4
4,500,001 – 5,000,000	1
7,000,001 – 8,000,000	1
Total	162

Remuneration of the five highest-paid individuals and the remuneration of senior management

In line with the requirements of the Hong Kong Stock Exchange, the following table sets out, on an aggregate basis, the annual remuneration of: a) the five highest-paid employees; and b) senior management for the year ended 31 December 2015.

Components of remuneration	Five highest paid[1] $000	Senior management[2] $000
Salary, fixed pay allowances and benefits in kind	9,366	30,369
Pension contributions	1,006	7,007
Variable remuneration awards paid or receivable[3]	30,611	38,762
Payments made on appointment	9,933	10,397
Remuneration for loss of office (contractual or other)	–	582
Other	–	287
Total	**50,916**	**87,404**
Total HK dollar equivalent	**394,731**	**677,609**

1. For 2015, the five highest-paid individuals include two executive directors, Bill Winters and Andy Halford
2. Senior management comprises the annual remuneration details of 19 executive directors or other senior managers who were members of the executive management team at any point during 2015
3. Variable remuneration paid or receivable excludes any performance awards or commissions linked to profits generated by the individual collectively or with others engaged in similar activities. It includes the deferred element of any variable remuneration and long-term incentive awards (on a face value basis). Any buyout award made on joining is included in payments made on appointment

The table below shows the emoluments of: a) the five highest-paid employees; and b) senior management for the year ended 31 December 2015.

Remuneration band HKD000	$000 equivalent	Number of employees: Five highest paid	Number of employees: Senior management
10,000 – 10,500	1,290 – 1,354	–	1
13,000 – 13,500	1,677 – 1,741	–	1
16,500 – 17,000	2,128 – 2,193	–	1
17,000 – 17,500	2,193 – 2,257	–	1
21,000 – 21,500	2,709 – 2,773	–	1
22,000 – 22,500	2,838 – 2,902	–	1
22,500 – 23,000	2,902 – 2,967	–	1
24,000 – 24,500	3,096 – 3,160	–	1
25,500 – 26,000	3,289 – 3,354	–	1
28,000 – 28,500	3,612 – 3,676	–	1
29,500 – 30,000	3,805 – 3,870	–	1
31,000 – 31,500	3,999 – 4,063	–	1
34,500 – 35,000	4,450 – 4,515	–	1
35,500 – 36,000	4,579 – 4,644	–	1
36,000 – 36,500	4,644 – 4,708	–	1
38,000 – 38,500	4,902 – 4,966	–	1
44,500 – 45,000	5,740 – 5,805	–	1
51,000 – 51,500	6,578 – 6,643	1	–
54,000 – 54,500	6,965 – 7,029	1	–
59,500 – 60,000	7,675 – 7,739	1	1
64,500 – 65,000	8,320 – 8,384	1	–
164,500 – 165,000	21,219 – 21,283	1	1
Total		**5**	**19**

C Hodgson

Christine Hodgson
Chair of the Remuneration Committee
23 February 2016

Other disclosures

Directors' report

The Directors' report for the year ended 31 December 2015 comprises pages 62 to 150 of this report (together with the sections of the Annual Report and Accounts incorporated by reference). Both the Strategic report and the Directors' report have been drawn up and presented in accordance with reliance upon English company law, and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law. Other information to be disclosed in the Directors' report is given in this section. In addition to the requirements set out in the Disclosure and Transparency Rules relating to the Annual Report and Accounts, information required by Listing Rule 9.8.4 to be included in the Annual Report and Accounts where applicable, is set out in the table below and cross-referenced.

Information to be included in the Annual Report and Accounts (LR 9.8.4)

Relevant Listing Rule	Page
LR 9.8.4 (1) (2) (5-14) (A) (B)	N/A
LR 9.8.4 (4)	127 to 130

Principal activities

Standard Chartered is a leading international banking Group, with a 150-year history in some of the world's most dynamic markets. We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East. The Group's roots in trade finance and commercial banking have been at the core of its success throughout its history, but the Group is now more broadly based across Retail Banking in its footprint markets. The Group comprises a network of more than 1,100 branches and outlets in 67 markets.

Further details on our business can be found within the Strategic report on pages 3 to 59

Further details on the branches can be found on our website sc.com

Fair, balanced and understandable

On behalf of the Board, the Audit Committee has reviewed the Annual Report and Accounts and the process by which the Group believes that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Group. Following its review, the Audit Committee has advised the Board that such a statement can be made in the Annual Report and Accounts.

The Strategic report can be found on pages 3 to 59

Code for Financial Reporting Disclosure

The Group's 2015 financial statements have been prepared in accordance with the principles of the BBA Code for Financial Reporting Disclosure.

Disclosure of information to auditor

As far as the directors are aware, there is no relevant audit information of which the Group statutory auditor, KPMG LLP (KPMG), is unaware. The directors have taken all reasonable steps to ascertain any relevant audit information and ensure that the Group statutory auditors are aware of such information.

Going concern

Having made appropriate enquiries, the Board is satisfied that the Company and the Group as a whole have adequate resources to continue operational businesses for a period of at least 12 months from the date of this report and therefore continue to adopt the going concern basis in preparing the financial statements.

Viability

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the period up to 31 December 2018. The Board conducted this review for a period of three years which was selected for the following reasons:

- It is within the Group's strategic planning horizon
- It is also within the period covered by the Prudential Regulation Authority's (PRA) annual Internal Capital Adequacy Assessment Process (ICAAP) which forecasts key capital requirements
- It is within the period covered by the Group-wide internal and regulatory stress tests

The corporate plan is evaluated and approved each year by the Board and considers the Group's future projections of profitability, cash flows, capital requirements and resources, liquidity ratios and other key financial and regulatory ratios over the period. These metrics are subject to sensitivity analyses which involve flexing a number of the main assumptions underlying the forecast.

The Board's assessment has been made with reference to:

- The Group's strategy (Our strategy and business model – page 13)
- The Group's current position and prospects (Operating and financial review – pages 35 to 59)
- The Board's risk tolerance
- The Group's principal risks and uncertainties, how these are managed and the potential impact of these on the Group (Risk management – pages 24 to 28)

In addition, the Risk and capital review on pages 154 to 225 details the Group's risk management framework, risk policies and procedures for each key risk type and quantitative and qualitative analysis of these risk types.

Sufficiency of public float

As at the date of this report, the Company has maintained the prescribed public float under the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the HK Listing Rules), based on the information publicly available to the Company and within the knowledge of the directors.

Research and development

During the year, the Group invested $594 million (2014: $504 million) in research and development, primarily relating to the planning, analysis, design, development, testing, integration, deployment and initial support of technology systems.

Political donations

No political donations were made in the year ended 31 December 2015.

Directors and their interests

The membership of the Board, together with their biographical details, are given on pages 62 to 65. Details of the directors' beneficial and non-beneficial interests in the ordinary shares of the Company are shown in the Directors' remuneration report on pages 129 and 131. The Group operates a number of share-based arrangements for its directors and employees.

Details of these arrangements are included in the Directors' remuneration report and in note 35 to the financial statements on page 306

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the HK Listing Rules and still considers all of the non-executive directors to be independent. Details concerning the provisions for providing compensation to directors for loss of office or employment (including in the context of a takeover bid) can be found on page 123 of the Directors' remuneration report.

At no time during the year did any director hold a material interest in any contracts of significance with the Company or any of its subsidiary undertakings.

In accordance with the Companies Act 2006, we have established a robust process requiring directors to disclose proposed outside business interests before any are entered into. This enables prior assessment of any conflict or potential conflict of interest and any impact on time commitment. On behalf of the Board, the Governance and Nomination Committee reviews actual or potential conflicts of interest annually to consider if they continue to be appropriate, and also to revisit the terms upon which they were provided. The Board is satisfied that our processes in this respect continue to operate effectively.

Subject to company law, the Articles of Association and the authority granted to directors in general meeting, the directors may exercise all the powers of the Company and may delegate authorities to committees. The Articles of Association contain provisions relating to the appointment, re-election and removal of directors. In line with the UK Corporate Governance Code 2014 all directors, with the exception of Mike Rees, Group Deputy Chief Executive, who will step down from the Board on 30 April 2016, will stand for annual (re)election at the 2016 AGM.

The Company has granted indemnities to all of its directors on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2015, and remain in force at the date of this report.

Significant agreements

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Future developments in the business of the Group

An indication of likely future developments in the business of the Group is provided in the Strategic report on pages 3 to 59.

Results and dividends

2015: paid interim dividend of 14.40[1] cents per share (2014: 28.80 cents per share)
2015: nil proposed final dividend (2014: 57.20 cents per share)
Total dividend, 14.40[1] cents (2014: 86.00 cents)

On 3 November 2015, it was announced that the Board had recommended that no final dividend will be paid for the financial year ending 31 December 2015.

Share capital

The issued ordinary share capital of the Company was increased by 805,467,656 during the year. 728,432,451 ordinary shares were issued under the Company's rights issue announced on 3 November 2015. 5,694,811 ordinary shares were issued under the Company's employee share plans at prices between nil and 1,140 pence. 71,340,394 ordinary shares were issued under the Company's share dividend scheme. The Company has one class of ordinary shares, which carries no rights to fixed income. On a show of hands, each member present has the right to one vote at our general meetings. On a poll, each member is entitled to one vote for every $2 nominal value of share capital held. The issued nominal value of the ordinary shares represents 85 per cent of the total issued nominal value of all share capital. The remaining 15 per cent comprises preference shares, which have preferential rights to income and capital but which, in general, do not confer a right to attend and vote at our general meetings.

Further details of the Group's share capital can be found in note 33 to the financial statements on page 304

1. Not adjusted for the rights issue announced on 3 November 2015 – see note 13 on page 263

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. There are no specific restrictions on voting rights and the directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Articles of Association

The Articles of Association may be amended by special resolution of the shareholders; no changes to the Company's Articles of Association were made during the year.

Authority to purchase own shares

At the AGM held on 6 May 2015, our shareholders renewed the Company's authority to make market purchases of up to 247,399,168 ordinary shares, equivalent to approximately 10 per cent of issued ordinary shares as at 16 March 2015, and up to all of the issued preference share capital. These authorities were not used during the year and remained in force at 31 December 2015.

In accordance with the terms of a waiver granted by The Stock Exchange of Hong Kong Limited (HKSE) on 16 April 2008, which was modified on 30 April 2009, 25 July 2011 and 9 October 2013, the Company will comply with the applicable law and regulation in the UK in relation to holding of any shares in treasury and with the conditions of the waiver, in connection with any shares it may hold in treasury. Shareholders will be asked to renew these authorities at the forthcoming AGM, and will receive details within the Notice of AGM.

No treasury shares were held during the year.

Further details can be found in note 33 to the financial statements on page 304

Authority to issue shares

The Company is granted authority to issue shares by the shareholders at its AGM. The size of the authorities granted depends on the purposes for which shares are to be issued and is within applicable legal and regulatory requirements.

Shareholder rights

Under the Companies Act 2006, shareholders holding 5 per cent or more of the paid-up share capital of the Company carrying the right of voting at general meetings of the Company are able to require the directors to hold a general meeting. A request may be in hard copy or electronic form and must be authenticated by the shareholders making it. Where such a request has been duly lodged with the Company, the directors are obliged to call a general meeting within 21 days of becoming subject to the request and must set a date for the meeting not more than 28 days from the date of the issue of the notice convening the meeting. Under the Companies Act 2006, shareholders holding 5 per cent or more of the total voting rights at an AGM of the Company, or 100 shareholders entitled to vote at the AGM with an average of at least £100 paid-up share capital per shareholder, are entitled to require the Company to circulate a resolution intended to be moved at the Company's next AGM. Such a request must be made not later than six weeks before the AGM to which the request relates or, if later, the time notice is given of the AGM. The request may be in hard copy or electronic form, must identify the resolution of which notice is to be given and must be authenticated by the shareholders making it.

Shareholders are able to put forward proposals to shareholder meetings and enquiries to the Board and/or the Senior Independent Director by using the 'contact us' information on the Company's website sc.com or by emailing the Group Corporate Secretariat at group-corporate.secretariat@sc.com

Major interests in shares and voting rights

As at 31 December 2015, Temasek Holdings (Private) Limited (Temasek) is the only shareholder that has an interest of more than 10 per cent in the Company's issued ordinary share capital carrying a right to vote at any general meeting.

As at 19 February 2016, the Company has been notified, pursuant to the requirement of Rule 5 of the Financial Conduct Authority Disclosure and Transparency Rules, by the following companies of their interest in the total voting rights of the Company:

Shareholder	Number of ordinary shares	Percentage of voting rights direct	Percentage of voting rights indirect
Temasek Holdings (Private) Limited[1]	517,051,383	–	15.77
Aberdeen Asset Management PLC's fund management operating subsidiaries	214,883,944	–	6.56
Dodge & Cox	181,694,162	–	5.54

1. Temasek Holdings (Private) Limited's interests are held indirectly through Dover Investments Pte. Ltd

Related-party transactions

Details of transactions with directors and officers and other related parties are set out in note 43 to the financial statements on page 312.

Connected/continuing connected transactions

By virtue of its shareholding of more than 10 per cent in the Company, Temasek and its associates are related parties and connected persons of the Company for the purposes of the UK Listing Rules and the Listing Rules of The Stock Exchange of Hong Kong Limited (the HK Listing Rules) respectively (together known as 'the Rules').

The Rules are intended to ensure that there is no favourable treatment to Temasek or its associates (as defined under the Rules) as a result of such shareholding to the detriment of other shareholders in the Company. Unless transactions that the Company and its subsidiaries undertake with Temasek or its associates are specifically exempt under the Rules or are subject to a specific waiver, they may require a combination of announcements, reporting and independent shareholders' approval.

The HKSE adopted an exemption (the Passive Investor Exemption) on 3 June 2010 for 'transactions with associates of a passive investor' (Rules 14A.99 and 14A.100). The Company considers that Temasek meets the criteria for a passive investor under Rules 14A.99 and 14A.100. Therefore, any connected transactions or continuing connected transactions of a revenue nature in the ordinary and usual course of business and on normal commercial terms with an associate of Temasek are exempt from the announcement, reporting, annual review and independent shareholders' approval requirements of the HK Listing Rules. The Passive Investor Exemption is not applicable in respect of the passive investor itself.

On 21 October 2013, the HKSE granted the Company a waiver for all banking transactions of a revenue nature with Temasek itself (the 2013 Waiver). Under this waiver, the announcement requirement and the requirement to enter into a written agreement and set an annual cap and the reporting (including annual review) requirement under the relevant rules in Chapter 14A have been waived for the three-year period ending 31 December 2015 on the conditions that:

i) the Company will disclose details of the 2013 Waiver (including the nature of the revenue banking transactions and reasons for the 2013 Waiver) in its subsequent annual reports

ii) the Company will continue to monitor the revenue banking transactions with Temasek during the three-year period ending 31 December 2015 to ensure that the 5 per cent threshold for the revenue ratio, calculated in accordance with Chapter 14 of the HK Listing Rules will not be exceeded

The Company set out the following main reasons for seeking the 2013 Waiver:

- In view of the nature and terms of the transactions, which may vary from time to time, from client to client and from transaction to transaction, particularly the foreign exchange and derivatives and financial markets transactions, having fixed-term written agreements (as required under the HK Listing Rules) would not be suitable to accommodate the various banking needs of the Company's customers (including Temasek). It would be impractical and unduly burdensome to require the Company to enter into fixed written agreements with Temasek in respect of those banking transactions of a revenue nature
- The Company also explained that it would be impracticable for the Company to estimate and determine an annual cap on the banking transactions of a revenue nature. The volume and aggregate value of each of those transactions that may be undertaken by Temasek are uncertain and unknown to the Company as a banking group and depend on multiple factors. They include the range of banking products and services offered by the Company, fluctuations in the wide range of industries in which Temasek and its associates operates, and external financial market and economic conditions
- While the amount of revenues generated from banking transactions of a revenue nature was minimal, the notional amounts of these transactions could be significant. Without the availability of a waiver from the HKSE or an applicable exemption, these revenue banking transactions would be subject to various percentage ratio tests which cater for different types of connected transactions and as such may produce anomalous results

As a result of the Passive Investor Exemption and the 2013 Waiver, the vast majority of the Company's transactions with Temasek and its associates fall outside of the connected transactions regime. However, non-revenue transactions with Temasek or any of its associates continue to be subject to monitoring for connected transaction issues on a transaction-by-transaction basis.

The Company confirms that, to the best of its knowledge and belief after due inquiry, it did not have any transactions with Temasek or its associates in 2015 that would have required announcement, reporting, annual review or independent shareholders' approval. The Company also confirms that the revenue transactions entered into with Temasek in 2015 were below the 5 per cent threshold for the revenue ratio test under the HK Listing Rules, and therefore satisfied the conditions attached to the 2013 Waiver.

On 19 October 2015, the HKSE extended the 2013 Waiver for another three years ending 31 December 2018 (the 2015 Waiver). Further details of the 2015 Waiver will be disclosed in subsequent annual reports.

The Group has internal systems, processes and procedures in place to identify and monitor non-exempt connected and continuing connected transactions. These are reviewed and updated periodically and their adequacy and effectiveness are subject to internal audit process. The Company will continue to monitor through its internal systems the revenue figures generated from the ongoing banking transactions with Temasek itself during 2016 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded.

Fixed assets

Details of additions to fixed assets are presented in note 26 to the financial statements on page 295.

Loan capital

Details of the loan capital of the Company and its subsidiaries are set out in note 30 to the financial statements on page 298.

Debenture issues and equity-linked agreements

During the financial year ending on 31 December 2015, the Company made seven issues of debentures and entered into one equity-linked agreement, further details of which are set out in note 28 on page 297.

Risk management

An ongoing process for identifying, evaluating and managing the significant risks that we face is in place. The Board is satisfied that this process constitutes a robust assessment of all of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Risk and capital review on pages 156 to 225 sets out the principal risks, our approach to risk management, including our risk management principles, an overview of our risk management framework and the policies and practices for each risk type. An overview of the Risk Tolerance Statement can be found on pages 25 to 26 of the Strategic report

Internal control

The effectiveness of our internal control system is reviewed regularly by the Board, its committees, the Management Team, and Group Internal Audit. The Audit Committee has reviewed the effectiveness of the Group's system of internal control during the year ended 31 December 2015 and reported on its review to the Board. The Committee's review was supported by an annual business self-certification process, which was managed by Group Internal Audit. Group Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Group through its programme of business audits. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology.

Group Internal Audit reports regularly to the Audit Committee, the Chairman and the Group Chief Executive. The findings of all adverse audits are reported to the Audit Committee, the Chairman and the Group Chief Executive where immediate corrective action is required. The Board Risk Committee has responsibility for overseeing the management of the Company's fundamental risks as well as reviewing the effectiveness of the Company's risk management framework. The Audit Committee monitors the integrity of the Company's financial reporting, compliance and internal control environment.

The Risk and capital review on pages 156 to 225 describes the Group's risk management structure

Our business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk, including operational risk, country risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk, credit risk and financial crime risk. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated. Executive risk committees regularly review the Group's risk profile. The performance of the Group's businesses is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions. In respect of handling inside information, we have applied relevant controls on employees who are subject to handling inside information, including controls over the dissemination of such information and their dealings in the Company's shares.

Employee policies and engagement

With 84,076 employees representing 135 nationalities across 67 markets, the Group has a number of communication mechanisms that inform employees about matters affecting or of interest to them. A mix of communications channels is used to inform employees of key business activity at a global, regional and business level. The primary channel is the Bridge, the Group's new intranet and business collaboration platform, which is available to over 96 per cent of employees across 67 markets. This new tool allows staff to collaborate and share ideas, and comment on global stories. The Bridge is supported by Group and local newsletters, a single global screensaver, targeted audio calls – for business area or management level – videos and town hall events. Business or time-critical information can be sent directly to employee inboxes through a measurable email marketing platform.

This mix ensures that employees receive relevant information promptly regardless of their business area, geography or access to the intranet.

At an individual level, regular team meetings and discussions with line managers enable employees to discuss and clarify any questions they have about news within and performance of the Group. The twice-yearly formal performance review also provides the opportunity to discuss how the employee, their team and business area contributed to the overall performance of the Group and how any compensation awards relate to this.

We continue to communicate with employees who have left the Group via our Alumni network and all employees, past, present and future and social networking messages via the Group's LinkedIn network and Facebook.

Our employee engagement survey has been an important way for us to gather feedback on how our organisation is working, where our areas of strength are, and how we can further improve. The My Voice survey was launched in 2014 and measures engagement across the Group on a variety of business factors such as leadership, strategy and conduct. In the first year, over 85 per cent of our people across 68 countries completed the survey. The insight gained is being used to inform action plans that intend to resolve highlighted issues.

In addition, targeted local surveys and focus groups seek views on particular topics or from particular groups of employees, and across the Group, many business areas or project groups facilitate employee forums and message boards. Less formal measures of sentiment and engagement include quick polls and conversation on the Bridge.

Combined with almost 40 employee networks across 18 countries and numerous champion groups, these insights are invaluable in shaping our thinking and future planning.

In 2014, the Group refreshed its Group Equal Opportunities, Diversity, Inclusion and Dignity at Work Policy, reinforcing the Group's commitment to providing equality of opportunity and fair treatment in employment. It does not accept unlawful discrimination in its recruitment and employment policies, terms, procedures, processes and decisions on the grounds of: race; colour; nationality; national or ethnic origins; gender; parental status; marital or civil partner status; sexual orientation; gender identity, expression or reassignment; HIV or AIDS status; employment status; flexibility of working arrangements; disability; age; religion; or belief. The Group appoints, trains, develops, rewards and promotes employees on the basis of their merit and ability. If employees become disabled, every endeavour is made to ensure their employment continues, with appropriate training and workplace adjustments where necessary.

Action may be taken to address disadvantage or under representation among specific groups, with the aim of ensuring that employment decisions are free from bias.

The Group does not tolerate any bullying or harassment of, discrimination against, or victimisation of staff, clients, or visitors of the Group, whether verbal, written, physical or psychological. All staff have a duty to treat all those with whom they come into contact through work with dignity and respect at all times. This is also enshrined in our Group Code of Conduct, which states that colleagues must be treated fairly and with respect, and that all employees are entitled to a safe working environment that is inclusive and free from discrimination, bullying and harassment.

Sharesave is provided to engage employees in the Group's performance and offer them an opportunity for long-term savings and a share in the financial success they help to create.

Major customers

Our five-largest customers together accounted for 3.7 per cent of our total interest income and other operating income in the year ended 31 December 2015.

Group Code of Conduct

The Board has adopted a refreshed Group Code of Conduct (the 'Code') relating to the lawful and ethical conduct of business and this is supported by the Group's core values.

It has been communicated to all directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Group operates.

Employees are asked to recommit to the Code annually, and this was done during November 2015. Further details concerning the Code can be found on page 20.

Environmental and social risk management

The Board is responsible for ensuring that high standards of responsible business are maintained and that an effective control framework is in place. This encompasses risks associated with clients' operations and their potential impact on the environment and local communities. The Board recognises its responsibility to manage these risks and that failure to manage them adequately would have an adverse impact on our business.

The Board receives regular information to identify and assess significant risks and opportunities arising from environmental and social matters. These issues are overseen by the Brand, Values and Conduct Committee. The Committee reviews sustainability priorities, and oversees the development of, and delivery against, public commitments regarding the activities and/or businesses that the Group will or will not accept in alignment with our Here for good brand promise.

Environmental and social risks are explicitly identified in the Group's policies and procedures. We have disclosed a series of 20 sector-specific and thematic Position Statements that apply to the provision of debt, equity and advisory services to all clients. We have adopted the Equator Principles that set requirements for identifying, assessing and mitigating the environmental and social impacts associated with the financing of projects and related advisory services.

The Group reports on its environmental and social performance through the Group's Annual Report and Accounts and through the sustainability section of the Group's website.

Environmental impact of our operations

We aim to minimise the environmental impact of our operations as part of our commitment to being a responsible company.

We report on energy, water, paper and waste data that are the basis of our Greenhouse Gas (GHG) emissions management as well as the targets we have set to reduce energy, water and paper use.

Total Scope 1, 2 and 3 Greenhouse Gas emissions for 2014 and 2015

Indicator	2014	2015	Units
Full-time employees (FTE) covered by reporting	90,940	**84,076**	FTE
Net internal area of occupied property covered by reporting	1,308,959	**1,261,320**	m^2
Annual operating income (1 October 2014 to 30 September 2015)	18,105	**17,566**	$million
Greenhouse Gas emissions			
Scope 1 emissions (combustion of fuels)	20,144	**16,904**	tonnes CO_2eq/year
Scope 2 emissions (purchased electricity) – location-based method	192,403	**184,912**	tonnes CO_2eq/year
Scope 2 emissions (purchased electricity) – market-based method	192,403	**184,912**	tonnes CO_2eq/year
Total Scope 1 & 2 emissions	212,547	**201,816**	tonnes CO_2eq/year
Scope 3 emissions without distance uplift (air travel)	55,296	**54,519**	tonnes CO_2eq/year
Scope 3 emissions with distance uplift (air travel)	60,273	**59,426**	tonnes CO_2eq/year
Scope 3 emissions (outsourced data centre)	–	**19,339**	tonnes CO_2eq/year
Total Scope 1, 2 & 3 emissions	267,843	**256,335**	tonnes CO_2eq/year
Total Scope 1, 2 & 3 emissions/FTE	2.95	**3.05**	tonnes CO_2eq/FTE/year
Total Scope 1, 2 & 3 emissions/m^2	205	**203**	kg CO_2eq/m^2/year
Total Scope 1, 2 & 3 emissions/operating income	14.79	**14.59**	tonnes CO_2eq/$m/year

Our reporting criteria document sets out the principles and methodology used to calculate the GHG emissions of the Group.

For additional information, review the reporting criteria at on.sc.com/EnvironmentCriteria. A summary is provided below

Our reporting methodology is based upon the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition)[1].

We report on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations. Using conversion factors from the UK Government's 2015 GHG Conversion Factors for Company Reporting[2], emissions are reported in metric tonnes of carbon dioxide equivalent (CO_2e)[3], encompassing the six Kyoto gases.

Our definition of different emission sources is provided on this page.

Scope 1

Scope 1 emissions are defined as arising from the consumption of energy from direct sources, such as by burning diesel within generators, during the use of property occupied by the Group.

Scope 2

Scope 2 emissions are defined as arising from the consumption of indirect sources of energy, such as consumption of purchased electricity and heat, during the use of property occupied by the Group.

In accordance with the amendment issued to the GHG Protocol in 2015, we report Scope 2 emissions under both location-based and market-based methods. However, we have not used location-based emission factors and as a consequence, both results are the same. This is based on our reservations concerning the attribution of reduced electricity emissions and the potential for 'double-counting'. We will continue to monitor the development of Scope 2 Quality Criteria, as well as the development of residual mixes by national agencies.

The Group does not use any form of offset such as green electricity to offset Scope 1 or Scope 2 emissions.

Scope 3

Scope 3 emissions are defined as occurring as a consequence of the Group's activities, but arising from sources not controlled by us. The Group reports on Scope 3 emissions arising from air travel and our outsourced data centres in Hong Kong and the UK.

1. World Resources Institute and World Business Council for Sustainable Development (WRI/ WBCSD). (2015) GHG Protocol Scope 2 Guidance An amendment to the GHG Protocol Corporate Standard, WRI/ WBCSD
2. Department for Fisheries and Rural Affairs (Defra), Government conversion factors for company reporting (2015). http://www.ukconversionfactorscarbonsmart.co.uk/
3. A tonne of carbon dioxide equivalent means one metric tonne of carbon dioxide or an amount of any other Greenhouse Gas with an equivalent global warming potential (calculated consistently with international carbon reporting practice)

   GHGs include those listed by Kyoto Protocol: carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6)

Reporting period

The reporting period of our environmental data is from 1 October 2014 to 30 September 2015. This allows sufficient time for independent assurance to be gained prior to the publication of results. Accordingly, the operating income used in this inventory corresponds to the same time period rather than the calendar year used in financial reporting.

Assurance

Our Scope 1 and 2 emissions are assured by an independent body, PwC, against the requirements of ISA 3410.

Community engagement

We work with local communities to help promote social and economic development across our markets. In 2015, we invested a total of $60.3 million to support our local communities. This includes cash contributions of $24.5 million and indirect contributions such as employee time totalling $20.0 million. Our community programmes focus on health and education, with youth as a target demographic. Our global community programmes include Seeing is Believing to address avoidable blindness; Positive Living to promote education and awareness on HIV and AIDS; Goal to empower girls and young women through sports and life skills training; and financial education to build the financial capability of youth and entrepreneurs. We offer our employees three days' paid leave to volunteer. In 2015, 57 per cent of staff contributed 77,900 volunteering days.

HIV and AIDS procedure

HIV and AIDS remain a serious challenge across our markets and impacts our employees and communities. In 2015, we strengthened our HIV and AIDS procedure to better support our employees through non-discrimination and non-disclosure clauses. The HIV and AIDS procedure is part of the Group Benefits Policy and applies to all staff and their families globally.

For more information, please refer to sc.com/sustainability

Electronic communication

The Board recognises the importance of good communications with all shareholders. Our directors are in regular contact with our institutional shareholders and general presentations are made when we announce our financial results. The AGM presents an opportunity to communicate with all shareholders. Our shareholders are encouraged to receive our corporate documents electronically. The annual and interim financial statements, Notice of AGM and dividend circulars are all available electronically. If you do not already receive your corporate documents electronically and would like to do so in future, please contact our registrars at the address on page 350.

Shareholders are also able to vote electronically on the resolutions being put to the AGM through our registrars' website at investorcentre.com

Annual General Meeting

Our AGM will be held at 11:00am (UK time) (6:00pm Hong Kong time) on 4 May 2016 at etc.venues, 200 Aldersgate, St Paul's, London EC1A 4HD. Details of the business to be conducted are contained in the Notice of AGM.

Our 2015 AGM was held on 6 May 2015 at 11:00am (London time) (6:00pm Hong Kong time) at etc.venues, 200 Aldersgate, St Paul's, London EC1A 4HD. Special business at the meeting included the approval of the power to allot ECAT1 Securities for cash without certain formalities. All resolutions were passed at the meeting.

Non-audit services

The Group's non-audit services policy (the 'Policy') was last reviewed and approved by the Audit Committee in 2014. The policy is based on a number of core principles. The overriding principle is that, to avoid any actual or perceived conflicts of interest, the Group's auditors should only be used when either there is evidence that there is no alternative in terms of quality and cost and there is no conflict with their duties as auditors; or where the Group's statutory auditors are required to be used by regulatory or legal requirements. The policy clearly sets out the criteria for when the Audit Committee's prior written approval is required. Subject to this overriding principle, the Audit Committee's view is that KPMG can be of value in a wider range of activities than just financial statement audit, and, where a non-audit service demands these qualities, KPMG should be allowed to tender, subject to the Accounting Practices Board's (APB) ethical standards and the terms of the policy. The policy requires a conservative approach to be taken to the assessment of requests for KPMG to provide non-audit services.

The APB sets out various threats to audit independence including self-interest, self-review, familiarity, taking of a management role or conducting advocacy. In particular, maintaining KPMG's independence from the Group requires KPMG to avoid taking decisions on the Group's behalf. It is also recognised as essential that management retain the decision-making capability as to whether to act on advice given by KPMG as part of a non-audit service. This means not just the ability to action the advice given, but to have sufficient knowledge of the subject matter to be able to make a reasoned and independent judgement as to its validity. Accordingly, the Group is required to take a conservative approach to interpreting the potential threats to auditor independence and requires commensurately robust safeguards against them, if a non-audit service is to be permitted.

The policy is not a proscribed list of non-audit services that KPMG is permitted to provide. Rather, each request for KPMG to provide non-audit services will be assessed on its own merits. The Audit Committee believes that such a case-by-case approach best accommodates (i) the need for the appropriate rigour and challenge to be applied to each request for KPMG to provide non-audit services while (ii) preserving sufficient flexibility for the Group to engage KPMG to provide non-audit services where they are able to deliver particular value to the Group and where the proposed services can be provided without compromising KPMG's objectivity and independence.

KPMG's objectivity is of particular value to the Group in the context of providing non-audit services that relate to the provision of an independent view, benchmarked either against external laws, regulations or requirements, or the audit firm's own knowledge of best practices. The policy also specifically incorporates the APB's recommended prohibitions and restrictions on the types of non-audit services that are able to be provided by the audit firm.

By way of (non-exhaustive) illustration of the application of the principles set out in the policy, the following types of non-audit services are:

- Likely to be permissible under the policy:
  - Audit-related services as defined by the APB – the Group would also extend this to work on investor circulars in most foreseeable circumstances
  - An objective view as to whether the Group has applied external laws and regulations appropriately, such as checks over regulatory compliance
  - Testing the robustness of controls infrastructure
  - Due diligence over potential purchases or sales
- Not permissible under the policy:
  - Any services that are prohibited (or to the extent they are restricted) by the APB's published guidance from time to time
  - Aggressive tax or regulatory structuring proposals
  - Any services where fees are paid on a contingent basis (in whole or in part)
  - Consulting services that actively assist in running the business in place of management as opposed to providing or validating information, which management then utilises in the operation of the business

Details relating to KPMG's remuneration as the Group statutory auditor and a description of the broad categories of the types of non-audit services provided by KPMG are given in note 8 to the financial statements on page 261

The only significant engagement of KPMG in 2015 for the provision of non-audit services was in respect of the rights issue in November 2015.

Auditor

The Audit Committee reviews the appointment of the Group statutory auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the auditors for non-audit services and the balance of audit and non-audit fees paid. Following a review of the independence and effectiveness of our Group statutory auditor (details of which can be found on page 83), resolutions to appoint KPMG and to determine its remuneration will be proposed at the 2016 Annual General Meeting.

Each director believes that there is no relevant information of which our Group statutory auditor is unaware. Each has taken all steps necessary as a director to be aware of any relevant audit information and to establish that KPMG is made aware of any pertinent information.

By order of the Board

Liz Lloyd
Group Company Secretary
23 February 2016

Standard Chartered PLC

Registered No. 966425

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Group and Company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) and applicable law, and have elected to prepare the Company financial statements on the same basis.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that year. In preparing each of the Group and Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRS as adopted by the EU
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' report, Strategic report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

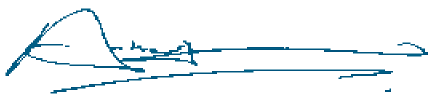
The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Group.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board



Andy Halford
Group Chief Financial Officer

23 February 2016

Risk and capital review

Risk and capital review

Risk index		Annual Report and Accounts	Pillar 3 Report
Principal uncertainties	Principal uncertainties	200	
Risk management approach	Risk Management Framework	204	
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	Country cross-border risk	211	
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The following parts of the Risk and capital review form part of the financial statements and are audited:

- From the start of Risk profile on page 161 to the end of the 'Strategic risk' section on page 199, excluding:
  - Asset backed securities, page 183
  - Country cross-border risk, page 186
  - Market risk changes – risks not in value at risk, page 188
  - Market risk changes – backtesting, page 188
  - Mapping of market risk items to the balance sheet, page 189
  - Liquidity coverage ratio, page 191
  - Encumbered assets, page 193
  - Readily available for encumbrance, page 194
  - Operational risk, page 197
  - Other risks, page 199
- 'Regulatory compliance, reviews, requests for information and investigations', page 201
- From the start of Risk management approach on page 204 to the end of 'Liquidity risk – stress testing' on page 214, excluding Country cross-border risk on page 211 and where indicated on page 214
- From the start of 'CRD IV capital base' on page 219 to the end of 'Movement in total capital' on page 220, excluding capital ratios and risk-weighted assets (RWA) amounts

Risk overview

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

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

Risk overview

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

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

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

Other impairment, including restructuring charge of $56 million, decreased by $36 million to $367 million (2014: $403 million) and was related to impairments against aircraft and strategic investments.

The Group's total impairment (excluding impairment of goodwill) increased to $5,343 million (2014: $2,544 million).

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

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

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

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

The cover ratio excluding collateral for the ongoing business for Corporate & Institutional Clients and Commercial Clients segments has increased to 59 per cent which when considered together with the historically-observed, weighted recovery rate of 50 per cent exceeds the uncovered portion of our portfolio. The cover ratio including collateral is 70 per cent.

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

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

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

Enterprise-wide risk management

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

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

In line with these changes, the Group has also identified a number of exposures for liquidation that would currently exceed the adjusted tolerance levels. These exposures are being managed by our specialist recovery unit, GSAM, for liquidation. Further information on the Group's risk tolerances is discussed on page 206.

Loan impairment

At the Group level, total loan impairment was $4,976 million. As disclosed on page 37, the loan impairment charge excluding impairment taken against the liquidation portfolio, increased to $2,381 million representing 87 basis points (bps) of average customer loans and advances.

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

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

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

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

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

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

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

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

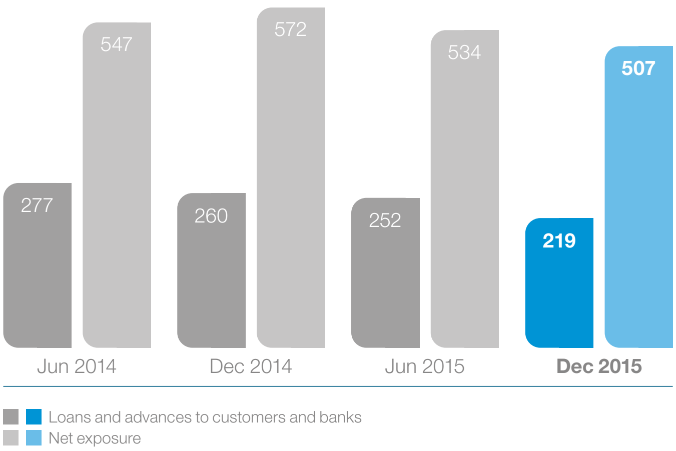
Loan impairment	Six months to 30.06.15 $million	Six months to 31.12.15 $million	**12 months to 31.12.15 $million**
Ongoing business			
Corporate & Institutional and Private Banking Clients	344	761	**1,105**
Commercial Clients	154	445	**599**
Retail Clients	364	313	**677**
Liquidation portfolio			
Corporate & Institutional and Private Banking Clients	790	837	**1,627**
Corporate & Institutional Clients – Restructuring	0	968	**968**
Total loan impairment	1,652	3,324	**4,976**

Corporate & Institutional Clients and Commercial Clients[1]

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

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

Corporate & Institutional Clients and Commercial Clients portfolio $billion



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

   The geographic analysis presented in this section is based on country of credit responsibility. This differs from the financial booking location, which is used in the geographic analysis in the Risk profile section on page 162, in that all global exposures to a client group are reported in the primary country of the parent entity. This is aligned to the Group's credit risk management approach

Portfolio indicators

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

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

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

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

The year-on-year increase in gross and net NPL balances was primarily in the liquidation portfolio and mainly driven by the migration of a small number of interconnected exposures from credit grade 12. Although the gross NPLs for the ongoing business have increased reflecting weakness in India and in Commodities, the net NPLs have remained stable. The cover ratio for the ongoing business of Corporate & Institutional Clients and Commercial Clients segments increased to 59 per cent excluding collateral (2014: 49 per cent) and 70 per cent with collateral.

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

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

Sector

Commodities

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

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

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

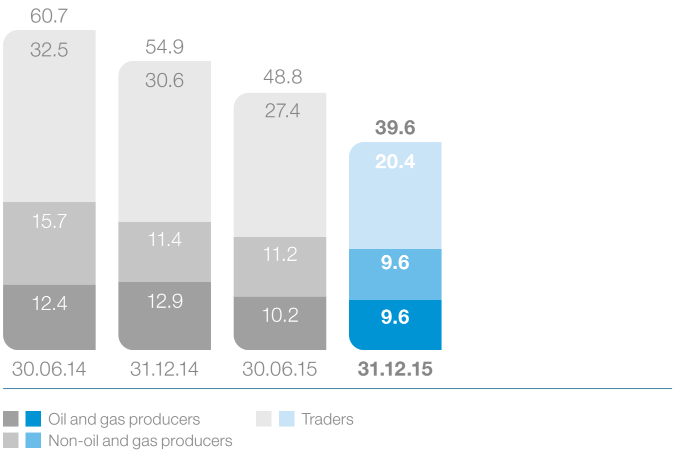
Derivative trades in commodities are undertaken in support of client hedging, and commodities-related market risk continues to be very low.

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

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

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

Commodities credit portfolio $billion



Oil and gas and related exposures

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

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

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

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

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

Geographies

India

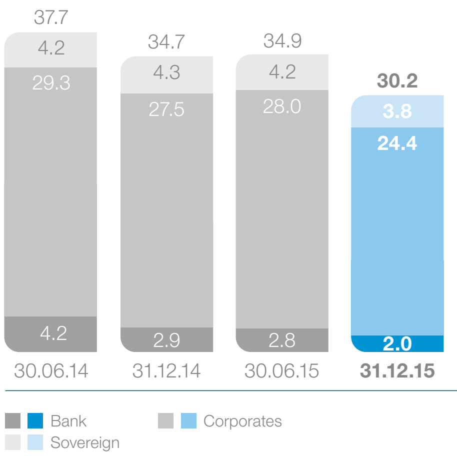
The Group has been actively managing the India Corporate & Institutional Clients and Commercial Clients portfolio in 2015 by reducing exposures to vulnerable accounts while limiting any increase in exposure to select client groups with credit grades stronger than the portfolio average. The net exposures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

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

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

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

India credit portfolio $billion



China

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

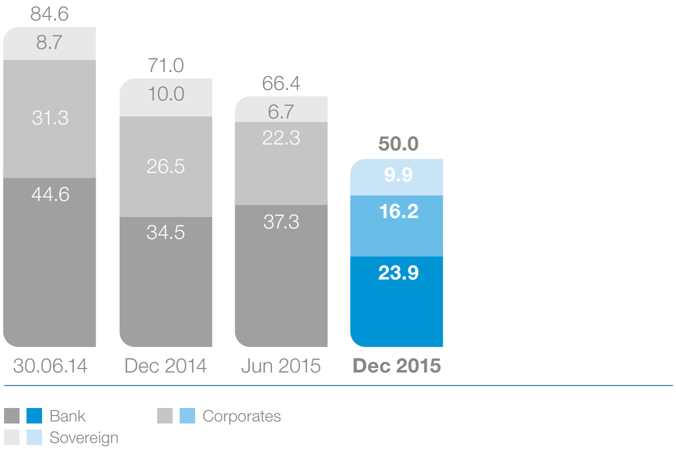
The Group's growth in China over the past five years has been focused on financial institutions as a result of the internationalisation of the renminbi (RMB). The RMB offshore deposits are invested in short-term inter-bank deposits and trade products. 100 per cent of the Bank exposure is to investment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

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

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

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

China credit portfolio $billion



Market risk

The Group continues to have low levels of market risk with Group level VaR of $36.1 million (31 December 2014: $26.5 million; 30 June 2014: $37.8 million), which is used to support client activities with typical periods of high utilisation during periods of market volatility. The VaR levels increased during 2015, with the exception of Equities and listed Private Equity where positions were reduced. The increase was driven by heightened market volatility driven by uncertainty about the Chinese economy and the timing of anticipated US interest rate rises.

Retail Clients

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

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

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

Mortgage portfolio and rising interest rates in key markets

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

Unsecured portfolio

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

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

Korea Personal Debt Rehabilitation Scheme

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

The balance sheet and income statement information presented within this section is based on the financial booking location of the instrument and not the location of its customer. Accordingly, where income statement information is presented by geographic region, the accounts will differ from the Financial review on pages 42 to 59, which is based on customer location. The client segment by geographic region table on page 163 provides a split of loans and advances to customers and banks by both booking and customer location.

Credit risk

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

- Overall exposure to credit risk, for on-balance sheet and off-balance sheet financial instruments, before and after taking into account credit risk mitigation (pages 162)
- Loan portfolio overview, which provides analysis of the loan portfolio by client segment, by geographic region, by industry and retail product, and by loan maturity (pages 163 to 167)
- Credit risk mitigation, which provides analysis of collateral held by client segment and collateral type, and details of loan-to-value (LTV) ratios and other forms of credit risk mitigation (pages 167 to 170)
- Credit quality, which provides an analysis of the loan portfolio by credit grade (CG) (pages 170 to 173)
- Problem credit management and provisioning, which provides an analysis of non-performing loans, impaired loans, renegotiated and forborne loans (pages 174 to 181)
- Selected portfolios, which provides further detail on debt securities and treasury bills, asset backed securities and selected European exposures (page 182 to 185)

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

A summary of our current policies and practices regarding credit risk management is provided in the Risk management approach on pages 207 to 210.

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

Maximum exposure to credit risk

The table on page 162 presents the Group's maximum exposure to credit risk for its on-balance sheet and off-balance sheet financial instruments as at 31 December 2015, before and after taking into account any collateral held or other credit risk mitigation. For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

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

The Group's gross maximum exposure to credit risk has decreased by $88 billion when compared to 2014, mainly due to a reduction in cash and balances held at central banks and loans and advances. Loans and advances to customers and banks have decreased by $48 billion, reflecting the focus on optimising returns together with risk-mitigating actions to reduce exposures in some markets and sectors. Further details of the loan portfolio are set out on page 162. Off-balance sheet exposures, mainly arising from trade finance, decreased by $8 billion, reflecting the slowdown in key markets in our footprint.

Investment securities increased by $5.6 billion as the Group placed its excess liquidity in low risk investment assets. The Group's credit risk exposure before risk mitigation arising from derivatives decreased by $2.7 billion.

Maximum exposure to credit risk

	2015				2014			
		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								
Cash and balances at central banks	65,312	–	–	65,312	97,282	–	–	97,282
Total loans and advances to banks and customers[1]								
As per balance sheet	321,850				368,585			
Included within fair value through profit and loss	6,322				7,514			
	328,172	152,843	–	175,329	376,099	159,476	–	216,623
Investment securities[2]								
As per balance sheet	114,767	–	–	114,767	104,238	–	–	104,238
Included within fair value through profit and loss	17,079	–	–	17,079	25,109	–	–	25,109
Less: Equity securities	(4,655)	–	–	(4,655)	(7,769)	–	–	(7,769)
	127,191	–	–	127,191	121,578	–	–	121,578
Derivative financial instruments[3]	63,143	10,074	38,934	14,135	65,834	7,005	43,735	15,094
Assets held for sale	340			340	3,112			3,112
Other assets	10,122			10,122	10,493			10,493
Total balance sheet	594,280	162,917	38,934	392,429	674,398	166,481	43,735	464,182
Off-balance sheet								
Contingent liabilities	39,055	–	–	39,055	42,532	–	–	42,532
Undrawn irrevocable standby facilities, credit lines and other commitments to lend[4]	59,431	–	–	59,431	60,870[5]	–	–	60,870
Documentary credits and short-term trade-related transactions	4,852	–	–	4,852	7,911	–	–	7,911
Forward asset purchases and forward deposits	530	–	–	530	539[5]	–	–	539
Total off-balance sheet	103,868	–	–	103,868	111,852	–	–	111,852
Total	698,148	162,917	38,934	496,297	786,250	166,481	43,735	576,034

1. An analysis of credit quality is set out on page 170. Further details of collateral held by client segment and held for past due and individually impaired loans are set out on page 177
2. Equity shares are excluded as they are not subject to credit risk
3. The Group enters into master netting agreements, which in the event of default results in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions
4. Excludes unconditionally cancellable facilities
5. Balances have been restated

Loan portfolio

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

The loan portfolio is summarised by client segment and by credit quality (neither past due nor impaired; past due; and impaired) on page 172. The Group manages its loan portfolio between those assets that are performing in line with their contractual terms (whether original or renegotiated) and those that are non-performing. Corporate & Institutional Clients and Commercial Clients exposures are typically managed on an individual basis and consequently credit grade migration is a key component of credit risk management. In Retail Clients, loans are monitored at a portfolio level and delinquency trends are monitored consistently as part of risk management. In all three client segments, credit risk is mitigated to some degree through collateral, further details of which are set out on pages 167 to 170.

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

Geographic and client segmental analysis

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

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

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

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

Client segment by geographic region

2015

	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Corporate & Institutional Clients	**26,748**	**7,880**	**7,002**	**32,765**	**9,921**	**4,546**	**10,377**	**41,367**	**140,606**
Commercial Clients	**3,800**	**2,403**	**1,769**	**1,712**	**857**	**635**	**–**	**43**	**11,219**
Private Banking Clients	**3,406**	**–**	**152**	**7,615**	**257**	**–**	**–**	**3,640**	**15,070**
Retail Clients	**42,295**	**18,426**	**4,292**	**23,489**	**4,799**	**1,581**	**–**	**283**	**95,165**
	76,249	**28,709**	**13,215**	**65,581**	**15,834**	**6,762**	**10,377**	**45,333**	**262,060**
Portfolio impairment provision	**(169)**	**(69)**	**(50)**	**(158)**	**(56)**	**(43)**	**(8)**	**(104)**	**(657)**
Total loans and advances to customers[1,2]	**76,080**	**28,640**	**13,165**	**65,423**	**15,778**	**6,719**	**10,369**	**45,229**	**261,403**
Intra-regional balance[3]	**1,595**	**(32)**	**6,122**	**1,519**	**3,707**	**4,843**	**1,129**	**(18,883)**	**–**
Total loans and advances to customers[1,4]	**77,675**	**28,608**	**19,287**	**66,942**	**19,485**	**11,562**	**11,498**	**26,346**	**261,403**
Total loans and advances to banks[1]	**21,376**	**4,596**	**515**	**7,777**	**2,266**	**957**	**10,532**	**18,750**	**66,769**

2014

	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Corporate & Institutional Clients	37,253	7,882	8,093	37,419	12,136	5,894	10,964	38,657	158,298
Commercial Clients	5,395	3,176	2,036	2,234	1,106	669	–	74	14,690
Private Banking Clients	3,494	–	167	9,732	274	–	–	4,391	18,058
Retail Clients	41,408	18,633	4,272	27,220	4,869	1,845	–	2	98,249
	87,550	29,691	14,568	76,605	18,385	8,408	10,964	43,124	289,295
Portfolio impairment provision	(98)	(75)	(56)	(201)	(78)	(47)	(9)	(132)	(696)
Total loans and advances to customers[1,2]	87,452	29,616	14,512	76,404	18,307	8,361	10,955	42,992	288,599
Intra-regional balance[3]	2,194	(34)	8,347	2,137	4,468	4,742	(3)	(21,851)	–
Total loans and advances to customers[1,4]	89,646	29,582	22,859	78,541	22,775	13,103	10,952	21,141	288,599
Total loans and advances to banks[1]	28,758	5,997	488	12,388	1,603	940	12,661	24,665	87,500

1. Amounts are net of individual impairment provision and include financial instruments held at fair value through profit or loss (see note 15 on page 266)
2. Presented on the basis of booking location and not customer location
3. The intra-regional balance represents the attribution of lending from the booking location to the location of the customer
4. The balances are based on the location of the customer

Industry and Retail Products analysis by geographic region

In the Corporate & Institutional Clients and Commercial Clients segments, our largest industry exposure changed from energy to financing, insurance and non-banking clients, which constitutes 21 per cent of loans and advances to customers (2014: 15 per cent). Lending to financing, insurance and non-banking clients is mostly to investment grade institutions and is part of the liquidity management of the Group.

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

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

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

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

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

Industry and Retail Products analysis by geographic region

	2015								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Industry									
Energy	1,041	275	83	5,689	881	508	2,628	8,576	19,681
Manufacturing	7,490	1,846	2,145	2,589	1,851	869	1,076	3,023	20,889
Financing, insurance and non-banking	4,182	780	700	5,443	955	267	3,948	15,183	31,458
Transport, telecom and utilities	2,804	1,654	919	3,075	945	713	723	5,646	16,479
Food and household products	1,498	232	668	4,716	1,399	1,083	906	1,126	11,628
Commercial real estate	4,680	2,091	1,460	3,200	1,037	87	–	473	13,028
Mining and quarrying	1,261	408	594	2,364	341	617	389	2,581	8,555
Consumer durables	3,905	574	1,160	927	1,116	319	295	2,563	10,859
Construction	945	362	653	1,256	1,123	211	28	724	5,302
Trading companies and distributors	642	235	96	602	451	277	29	97	2,429
Government	1,171	1,247	–	3,191	131	19	128	325	6,212
Other	929	579	293	1,425	548	211	227	1,093	5,305
Retail Products									
Mortgages	35,869	13,397	2,345	18,519	1,878	367	–	1,313	73,688
CCPL and other unsecured lending	5,902	3,582	995	3,798	2,038	1,147	–	90	17,552
Auto	–	–	38	407	345	6	–	–	796
Secured wealth products	3,673	54	31	7,725	98	–	–	2,505	14,086
Other	257	1,393	1,035	655	697	61	–	15	4,113
	76,249	28,709	13,215	65,581	15,834	6,762	10,377	45,333	262,060
Portfolio impairment provision	(169)	(69)	(50)	(158)	(56)	(43)	(8)	(104)	(657)
Total loans and advances to customers[1]	76,080	28,640	13,165	65,423	15,778	6,719	10,369	45,229	261,403
Total loans and advances to banks	21,376	4,596	515	7,777	2,266	957	10,532	18,750	66,769

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

	2014								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Industry[1]									
Energy	1,470	310	123	9,006	1,228	533	3,206	11,347	27,223
Manufacturing	9,456	2,419	2,452	4,337	2,239	1,031	1,031	3,838	26,803
Financing, insurance and non-banking	5,856	995	431	5,497	1,136	628	3,507	7,336	25,386
Transport, telecom and utilities	3,715	1,602	922	3,706	1,210	662	612	6,176	18,605
Food and household products	2,589	313	929	5,034	1,381	1,346	1,438	1,302	14,332
Commercial real estate	6,876	2,190	1,503	3,798	1,133	79	–	485	16,064
Mining and quarrying	3,383	649	922	2,186	512	764	273	4,123	12,812
Consumer durables	5,076	659	1,291	1,170	1,385	439	404	1,752	12,176
Construction	1,169	486	897	1,178	1,352	252	20	1,095	6,449
Trading companies and distributors	1,419	400	232	932	719	418	56	114	4,290
Government	536	368	5	1,206	230	19	220	165	2,749
Other	1,103	667	422	1,603	717	392	197	998	6,099
Retail Products									
Mortgages	34,381	12,918	2,366	20,724	1,853	345	–	1,320	73,907
CCPL and other unsecured lending	6,673	4,407	987	4,850	2,096	1,425	–	51	20,489
Auto	–	–	40	631	339	6	–	–	1,016
Secured wealth products	3,466	74	70	9,385	805	–	–	1,455	15,255
Other	382	1,234	976	1,362	50	69	–	1,567	5,640
	87,550	29,691	14,568	76,605	18,385	8,408	10,964	43,124	289,295
Portfolio impairment provision	(98)	(75)	(56)	(201)	(78)	(47)	(9)	(132)	(696)
Total loans and advances to customers[1]	87,452	29,616	14,512	76,404	18,307	8,361	10,955	42,992	288,599
Total loans and advances to banks	28,758	5,997	488	12,388	1,603	940	12,661	24,665	87,500

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

Maturity analysis by client segment

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

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

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

By client segment

	2015			
	One year or less $million	**One to five years $million**	**Over five years $million**	**Total $million**
Corporate & Institutional Clients	**155,907**	**41,152**	**10,317**	**207,376**
– Loans to banks	**63,160**	**3,572**	**38**	**66,770**
– Loans to customers	**92,747**	**37,580**	**10,279**	**140,606**
Commercial Clients	**8,925**	**1,262**	**1,032**	**11,219**
Private Banking Clients	**13,468**	**494**	**1,108**	**15,070**
Retail Clients	**15,366**	**17,304**	**62,495**	**95,165**
	193,666	**60,212**	**74,952**	**328,830**
Portfolio impairment provision				**(658)**
Total loans and advances to banks and customers				**328,172**

	2014			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate & Institutional Clients	184,880	48,542	12,378	245,800
– Loans to banks	83,845	3,587	70	87,502
– Loans to customers	101,035	44,955	12,308	158,298
Commercial Clients	11,905	1,436	1,349	14,690
Private Banking Clients	15,349	1,449	1,260	18,058
Retail Clients	16,877	18,610	62,762	98,249
	229,011	70,037	77,749	376,797
Portfolio impairment provision				(698)
Total loans and advances to banks and customers				376,099

Maturity analysis by industry

By Industry

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

	2015			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Industry				
Energy	9,122	8,075	2,484	19,681
Manufacturing	15,690	4,309	890	20,889
Financing, insurance and non-banking	27,048	4,079	331	31,458
Transport, telecom and utilities	5,515	5,708	5,256	16,479
Food and household products	9,606	1,957	65	11,628
Commercial real estate	6,178	5,730	1,120	13,028
Mining and quarrying	5,745	2,421	389	8,555
Consumer durables	9,055	1,720	84	10,859
Construction	3,442	1,779	81	5,302
Trading companies and distributors	2,115	296	18	2,429
Government	5,890	237	85	6,212
Other	2,266	2,531	508	5,305
Retail Products				
Mortgages	4,106	9,065	60,517	73,688
CCPL and other unsecured lending	9,054	7,116	1,382	17,552
Auto	132	612	52	796
Secured wealth products	13,644	304	138	14,086
Other	1,898	701	1,514	4,113
	130,506	56,640	74,914	262,060
Portfolio impairment provision				(657)
Total loans and advances to customers[1]				261,403

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

	2014			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Industry				
Energy	14,894	9,545	2,784	27,223
Manufacturing	19,984	5,813	1,006	26,803
Financing, insurance and non-banking	20,980	4,162	244	25,386
Transport, telecom and utilities	6,204	6,946	5,455	18,605
Food and household products	11,642	2,606	84	14,332
Commercial real estate	6,184	8,549	1,331	16,064
Mining and quarrying	9,104	2,517	1,191	12,812
Consumer durables	10,682	1,346	148	12,176
Construction	3,758	2,060	631	6,449
Trading companies and distributors	3,969	246	75	4,290
Government	2,612	56	81	2,749
Other	2,927	2,545	627	6,099
Retail Products				
Mortgages	4,733	8,786	60,388	73,907
CCPL and other unsecured lending	10,424	8,533	1,532	20,489
Auto	199	742	75	1,016
Secured wealth products	14,085	1,074	96	15,255
Other	2,785	924	1,931	5,640
	145,166	66,450	77,679	289,295
Portfolio impairment provision				(696)
Total loans and advances to customers[1]				288,599

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

Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting arrangements, credit insurance, credit derivatives taking into account expected volatility and guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. See page 208 for our overall approach to credit risk mitigation.

Collateral

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

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

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

The collateral values in the table on page 168 are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. Exposures for 50 per cent of the clients that have placed collateral with the Group are over-collateralised. The average amount of over-collateralisation is 51 per cent.

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

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

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

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

For loans and advances to customers and banks (including those held at fair value through profit or loss), the table on the following page sets out the fair value of collateral held by the Group, adjusted where appropriate in accordance with the risk mitigation policy as outlined on page 208 and for the effect of over-collateralisation.

	Collateral			Amount Outstanding[1]		
		Of which			Of which	
	Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million	Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million
As at 31 December 2015						
Corporate & Institutional Clients[2]	**63,509**	**57**	**1,547**	**207,376**	**2,278**	**10,428**
Commercial Clients	**5,331**	**191**	**298**	**11,219**	**337**	**1,246**
Private Banking Clients	**10,561**	**52**	**322**	**15,070**	**52**	**325**
Retail Clients	**73,442**	**1,563**	**258**	**95,165**	**2,402**	**831**
Total	**152,843**	**1,863**	**2,425**	**328,830**	**5,069**	**12,830**
As at 31 December 2014						
Corporate & Institutional Clients[2]	64,343	228	809[3]	245,800	1,847	6,094
Commercial Clients	6,034	265[3]	253	14,690	454	1,068
Private Banking Clients	12,905	220	40	18,058	140	91
Retail Clients	74,994[3]	2,053	360	98,249	2,928	846
Total	158,276	2,766	1,462	376,797	5,369	8,099

1. Includes loans held at fair value through profit or loss
2. Includes loans and advances to banks
3. Balances have been restated

Corporate & Institutional Clients and Commercial Clients

Collateral held against Corporate & Institutional Clients and Commercial Clients exposures amounted to $69 billion (2014: $70 billion).

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

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

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

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

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

	2015 $million	2014 $million
Property	**17,043**	16,438
Plant, machinery and other stock	**3,822**	5,498
Cash	**11,060**	12,594
Reverse repo and securities	**28,973**	25,641
AAA	**4**	4
AA- to AA+	**21,679**	17,188
BBB- to BBB+	**3,240**	3,062
Lower than BBB-	**1,150**	997
Unrated	**2,900**	4,390
Commodities	**923**	2,426
Ships and aircraft	**7,019**	7,780
Total value of collateral	**68,840**	70,377

Retail Clients and Private Banking Clients

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

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

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

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

	2015[1]				2014			
	Fully secured $million	**Partially secured $million**	**Unsecured $million**	**Total[2] $million**	Fully secured $million	Partially secured $million	Unsecured $million	Total[1] $million
Loans to individuals								
Mortgages	**72,674**	**1,014**	**–**	**73,688**	73,907	–	–	73,907
CCPL	**386**	**632**	**16,534**	**17,552**	4	–	20,485	20,489
Auto	**792**	**–**	**4**	**796**	1,016	–	–	1,016
Secured wealth products	**13,689**	**383**	**14**	**14,086**	15,255	–	–	15,255
Other	**2,585**	**1,208**	**320**	**4,113**	2,783	1,494	1,363	5,640
	90,126	**3,237**	**16,872**	**110,235**	92,965	1,494	21,848	116,307
Percentage of total loans	**82%**	**3%**	**15%**		80%	1%	19%	

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

Mortgage loan-to-value ratios by geography

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

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

2014	Greater China %	North East Asia %	South Asia %	ASEAN %	MENAP %	Africa %	Americas %	Europe %	Total %
Less than 50 per cent	65.6	46.3	68.6	32.7	28.9	32.1	–	33.1	52.0
50 per cent to 59 per cent	12.3	22.0	13.0	21.0	18.7	13.5	–	40.3	17.0
60 per cent to 69 per cent	10.5	24.5	11.3	20.1	19.8	21.7	–	23.2	16.2
70 per cent to 79 per cent	7.1	4.7	5.6	17.7	17.7	23.3	–	3.4	9.5
80 per cent to 89 per cent	4.1	1.5	1.2	7.3	7.2	8.9	–	–	4.4
90 per cent to 99 per cent	0.4	0.6	0.1	1.0	3.6	0.2	–	–	0.6
100 per cent and greater	–	0.4	0.2	0.2	4.1	0.3	–	–	0.3
Average portfolio loan-to-value	44.0	50.0	38.7	56.4	61.4	58.2	–	51.5	49.3
Loans to individuals – Mortgages ($million)	34,381	12,918	2,366	20,724	1,853	345	–	1,320	73,907

Collateral and other credit enhancements possessed or called upon

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

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

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

Other credit risk mitigation

Other forms of credit risk mitigation are set out below.

Securitisation

The Group has transferred to third parties by way of securitisation the rights to any collection of principal and interest on client loan assets with a face value of $76 million (2014: $31 million). The Group continues to recognise these assets in addition to the proceeds and related liability of $43 million (2014: $29 million) arising from the securitisations. The Group considers the above client loan assets to be encumbered. Further details of encumbered assets are provided on page 193.

Credit default swaps

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

Derivatives financial instruments

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

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

Off-balance sheet exposures

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

Credit quality analysis

An overall breakdown of the loan portfolio by client segment is set out on page 172, differentiating between the performing and non-performing book.

Within the performing book, there is an analysis:

- By CG, which plays a central role in the quality assessment and monitoring of risk as explained on pages 207 to 209
- 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 and on which no loss of principal is expected

Non-performing loans are analysed, net of individual impairment provisions, between what is past due but not impaired and what is impaired. Further analysis of credit quality by geography, together with the related impairment charges and provisions, is set out on pages 175 to 176.

Credit grade migration

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

All loans are assigned a CG, which is reviewed periodically and amended in light of changes in the borrower's circumstances or behaviour. CG 1 to 12 are assigned to performing clients or accounts, while CG 13 and 14 are assigned to non-performing or defaulted clients. Further details of our approach to credit rating is set out on page 207.

CG migration trends have also been stable across most countries, although there has been some deterioration in India and commodities, related to the slower economic growth. The decrease in CG 12 balances in 2015 is principally due to the downgrade of an interconnected group of exposures. Excluding this, the CG composition across all client segments is consistent with the prior year. In respect of loans to banks, the credit quality composition is also consistent with prior periods, with most of the growth in this period being in CG 1 to 5.

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

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

Non-performing loans

Non-performing loans (NPLs) (net of individual impairment provisions) are higher by $2.4 billion. This increase is primarily in the Corporate & Institutional Clients segment and is driven by an interconnected group of exposures within the liquidation portfolio that are financially booked in Europe. Details and further analysis of gross and net NPLs by client segment and by geography are provided on pages 177 and 178.

An NPL is any loan that is more than 90 days past due or is otherwise individually impaired. This excludes loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected. These loans may have a provision reflecting the time value of money, and, if so, are reported as part of forborne loans. The definition and policies in respect of renegotiated and forborne loans are set out on page 210.

Loan impairment

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

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

In Retail Clients, total IIPs have decreased by $121 million compared to 2014. Impairments from Korea Personal Debt Rehabilitation Scheme-related losses have decreased along with the improvement in Thailand and Malaysia. Portfolio impairment provisions decreased marginally mainly due to foreign exchange translation. We remain disciplined in our approach to risk management and proactive in our collection efforts to minimise account delinquencies.

Other impairment, excluding goodwill impairment, has decreased by $36 million to $367 million, reflecting the lower impairments of debt securities in Europe and associated investments in Asia.

Portfolio impairment provision

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

Further details around the policy and rationale underlying the determinant of the PIP are discussed in the Loan impairment section of the Risk management approach on pages 209 to 210.

Cover ratio

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

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

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

As highlighted on page 167, collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post-impairment provisions. Details are provided on page 177.

Credit quality by client segment

	2015					
		Loans to customers				
	Loans to banks $million	Corporate & Institutional Clients $million	Commercial Clients $million	Private Banking Clients $million	Retail Clients $million	Total $million
Performing loans						
Neither past due nor impaired						
– Grades 1-5	60,197	64,230	451	2,653	65,223	132,557
– Grades 6-8	4,856	50,078	4,231	11,770	14,944	81,023
– Grades 9-11	1,327	18,257	5,663	151	11,610	35,681
– Grade 12	44	779	39	122	492	1,432
	66,424	133,344	10,384	14,696	92,269	250,693
of the above, renegotiated loans	*1*	*950*	–	–	*152*	*1,102*
Past due but not impaired						
– Up to 30 days past due	177	1,435	255	52	1,701	3,443
– 31-60 days past due	2	110	39	–	335	484
– 61-90 days past due	126	428	30	–	152	610
	305	1,973	324	52	2,188	4,537
of the above, renegotiated loans	–	*197*	*1*	–	*42*	*240*
Impaired forborne loans, net of provisions	–	–	–	–	240	240
Total performing loans	66,729	135,317	10,708	14,748	94,697	255,470
Non-performing loans						
Past due but not impaired						
– 91-120 days past due	–	–	9	–	149	158
– 121-150 days past due	–	–	4	–	65	69
	–	–	13	–	214	227
Individually impaired loans, net of provisions	41	5,289	498	322	254	6,363
of the above, forborne loans	*1*	*3,023*	*56*	–	*214*	*3,293*
Total non-performing loans, net of individual impairment	41	5,289	511	322	468	6,590
Total loans and advances	66,770	140,606	11,219	15,070	95,165	262,060
Portfolio impairment provision	(1)	(227)	(112)	(2)	(316)	(657)
Total net loans and advances	66,769	140,379	11,107	15,068	94,849	261,403

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

	2015					
		Loans to customers				
	Loans to banks $million	Corporate & Institutional Clients $million	Commercial Clients $million	Private Banking Clients $million	Retail Clients $million	Total $million
Neither past due nor impaired						
– Grades 1-5	2,134	1,796	–	–	–	1,796
– Grades 6-8	141	891	–	–	–	891
– Grades 9-11	–	1,128	–	–	–	1,128
– Grade 12	–	–	–	–	–	–
	2,275	3,815	–	–	–	3,815
Past due but not impaired						
– Up to 30 days past due	–	–	–	–	–	–
– 31-60 days past due	–	–	–	–	–	–
– 61-90 days past due	–	98	–	–	–	98
	–	98	–	–	–	98
Individually impaired loans	–	134	–	–	–	134

	2014					
		Loans to customers				
	Loans to banks $million	Corporate & Institutional Clients $million	Commercial Clients $million	Private Banking Clients $million	Retail Clients $million	Total $million
Performing loans						
Neither past due nor impaired						
– Grades 1-5	79,001	65,551	775	3,115	65,467	134,908
– Grades 6-8	6,456	61,863	5,413	14,648	14,472	96,396
– Grades 9-11	1,871	20,879	7,377	120	14,050	42,426
– Grade 12	28	4,545	126	3	944	5,618
	87,356	152,838	13,691	17,886	94,933	279,348
of the above, renegotiated loans	–	*4,277*	*17*	–	*262*	*4,556*
Past due but not impaired						
– Up to 30 days past due	40	1,467	344	139	2,187	4,137
– 31-60 days past due	–	183	60	1	400	644
– 61-90 days past due	3	154	23	–	179	356
	43	1,804	427	140	2,766	5,137
of the above, renegotiated loans	–	*106*	*10*	–	*61*	*177*
Impaired forborne loans, net of provisions	–	479	–	–	153	632
Total performing loans	87,399	155,121	14,118	18,026	97,852	285,117
Non-performing loans						
Past due but not impaired						
– 91-120 days past due	–	–	2	–	96	98
– 121-150 days past due	–	–	25	–	66	91
	–	–	27	–	162	189
Individually impaired loans, net of provisions	103	3,177	545	32	235	3,989
of the above, forborne loans	–	*1,072*	*48*	–	*225*	*1,345*
Total non-performing loans, net of individual impairment	103	3,177	572	32	397	4,178
Total loans and advances	87,502	158,298	14,690	18,058	98,249	289,295
Portfolio impairment provision	(2)	(328)	(39)	(2)	(327)	(696)
Total net loans and advances	87,500	157,970	14,651	18,056	97,922	288,599

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

	2014					
		Loans to customers				
	Loans to banks $million	Corporate & Institutional Clients $million	Commercial Clients $million	Private Banking Clients $million	Retail Clients $million	Total $million
Neither past due nor impaired						
– Grades 1-5	3,293	1,651	–	–	–	1,651
– Grades 6-8	317	1,415	–	–	–	1,415
– Grades 9-11	–	320	–	–	–	320
– Grade 12	–	100	–	–	–	100
	3,610	3,486	–	–	–	3,486
Past due but not impaired						
– Up to 30 days past due	–	–	–	–	–	–
– 31-60 days past due	–	–	–	–	–	–
– 61-90 days past due	–	–	–	–	–	–
	–	–	–	–	–	–
Individually impaired loans	–	418	–	–	–	418

Renegotiated and forborne loans

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

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

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

Credit quality by industry

	2015								
						Movements in impairment			
	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired $million	Individual impairment provision $million	Total $million	Individual impairment provision held as at 1 Jan 2015 $million	Net impairment charge/ (release) $million	Amounts written off/ other movements $million	Individual impairment provision held as at 31 Dec 2015 $million
Industry									
Energy	16,750	264	3,917	(1,250)	19,681	141	1,276	(167)	1,250
Manufacturing	19,991	452	1,009	(563)	20,889	306	361	(104)	563
Financing, insurance and non-banking	31,100	57	724	(423)	31,458	334	115	(26)	423
Transport, telecom and utilities	15,808	328	862	(519)	16,479	266	291	(38)	519
Food and household products	11,036	277	688	(373)	11,628	336	302	(265)	373
Commercial real estate	12,868	120	60	(20)	13,028	16	8	(4)	20
Mining and quarrying	7,777	184	1,878	(1,284)	8,555	572	790	(78)	1,284
Consumer durables	10,473	146	666	(426)	10,859	275	202	(51)	426
Construction	4,709	68	857	(332)	5,302	99	296	(63)	332
Trading companies and distributors	1,918	304	526	(319)	2,429	296	206	(183)	319
Government	6,212	–	–	–	6,212	–	–	–	–
Other	5,086	110	283	(174)	5,305	118	125	(69)	174
Retail Products									
Mortgage	72,173	1,367	272	(124)	73,688	131	20	(27)	124
CCPL and other unsecured lending	16,347	906	494	(195)	17,552	289	608	(702)	195
Auto	741	53	2	–	796	–	–	–	–
Secured wealth products	13,747	31	312	(4)	14,086	–	96	(92)	4
Other	3,957	97	76	(17)	4,113	97	34	(114)	17
Loans and advances to customers	250,693	4,764	12,626	(6,023)	262,060				
Individual impairment provision						3,276	4,730	(1,983)	6,023
Portfolio impairment provision					(657)	696	(3)	(36)	657
Total					261,403	3,972	4,727	(2,019)	6,680
Loans and advances to banks	66,424	305	204	(163)	66,770	–	–	–	–
Individual impairment provision						99	90	(26)	163
Portfolio impairment provision					(1)	2	(1)	–	1
Total					66,769	101	89	(26)	164

	2014					Movements in impairment			
	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired $million	Individual impairment provision $million	Total $million	Individual impairment provision held as at 1 Jan 2014 $million	Net impairment charge/ (release) $million	Amounts written off/ other movements $million	Individual impairment provision held as at 31 Dec 2014 $million
Industry									
Energy	26,568	293	503	(141)	27,223	109	43	(11)	141
Manufacturing	25,609	360	1,140	(306)	26,803	217	243	(154)	306
Financing, insurance and non-banking	24,708	27	985	(334)	25,386	474	11	(151)	334
Transport, telecom and utilities	18,020	277	574	(266)	18,605	333	77	(144)	266
Food and household products	13,860	263	545	(336)	14,332	247	124	(35)	336
Commercial real estate	15,989	36	55	(16)	16,064	39	1	(24)	16
Mining and quarrying	11,795	201	1,388	(572)	12,812	139	460	(27)	572
Consumer durables	11,841	123	487	(275)	12,176	266	45	(36)	275
Construction	5,769	270	509	(99)	6,449	76	35	(12)	99
Trading companies and distributors	4,055	54	477	(296)	4,290	265	43	(12)	296
Government	2,749	–	–	–	2,749	–	–	–	–
Other	5,566	354	297	(118)	6,099	84	64	(30)	118
Retail Products									
Mortgage	72,131	1,610	297	(131)	73,907	123	42	(34)	131
CCPL and other unsecured lending	19,181	1,106	491	(289)	20,489	273	869	(853)	289
Auto	935	80	1	–	1,016	1	(4)	3	–
Secured wealth products	15,166	81	8	–	15,255	–	–	–	–
Other	5,406	191	140	(97)	5,640	103	39	(45)	97
Loans and advances to customers	279,348	5,326	7,897	(3,276)	289,295				
Individual impairment provision						2,749	2,092	(1,565)	3,276
Portfolio impairment provision					(696)	696	38	(38)	696
Total					288,599	3,445	2,130	(1,603)	3,972
Loans and advances to banks	87,356	43	202	(99)	87,502	–	–	–	–
Individual impairment provision						100	4	(5)	99
Portfolio impairment provision					(2)	2	–	–	2
Total					87,500	102	4	(5)	101

Credit quality by geographic region

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

Loans and advances to customers

	2015								
	Balance sheet[1]						**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[2] $million**
Greater China	**75,213**	**469**	**1,000**	**(433)**	**(169)**	**76,080**	**585**	**74**	**659**
North East Asia	**28,174**	**443**	**380**	**(288)**	**(69)**	**28,640**	**236**	**(1)**	**235**
South Asia	**12,074**	**584**	**1,589**	**(1,032)**	**(50)**	**13,165**	**719**	**(4)**	**715**
ASEAN	**63,194**	**1,267**	**1,869**	**(749)**	**(158)**	**65,423**	**772**	**(26)**	**746**
MENAP	**14,543**	**577**	**2,047**	**(1,333)**	**(56)**	**15,778**	**505**	**(22)**	**483**
Africa	**5,798**	**637**	**635**	**(308)**	**(43)**	**6,719**	**243**	**3**	**246**
Americas	**10,335**	**29**	**63**	**(50)**	**(8)**	**10,369**	**49**	**–**	**49**
Europe	**41,362**	**758**	**5,043**	**(1,830)**	**(104)**	**45,229**	**1,621**	**(27)**	**1,594**
	250,693	**4,764**	**12,626**	**(6,023)**	**(657)**	**261,403**	**4,730**	**(3)**	**4,727**

	2014								
	Balance sheet[1]						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[2] $million
Greater China	86,315	754	847	(366)	(98)	87,452	496	(25)	471
North East Asia	28,989	562	428	(288)	(75)	29,616	423	(34)	389
South Asia	13,129	754	1,135	(450)	(56)	14,512	149	5	154
ASEAN	74,059	1,859	1,137	(450)	(201)	76,404	477	54	531
MENAP	16,683	544	2,204	(1,046)	(78)	18,307	96	(7)	89
Africa	7,785	260	478	(115)	(47)	8,361	74	(15)	59
Americas	10,924	3	37	–	(9)	10,955	(2)	3	1
Europe	41,464	590	1,631	(561)	(132)	42,992	379	57	436
	279,348	5,326	7,897	(3,276)	(696)	288,599	2,092	38	2,130

1. Presented on the basis of booking location and not customer location
2. Excludes impairment charges relating to debt securities classified as loans and receivables (refer to note 10 on page 261)

Loans and advances to banks

	2015								
	Balance sheet[1]						**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 $million**
Greater China	**21,375**	**1**	**–**	**–**	**–**	**21,376**	**–**	**–**	**–**
North East Asia	**4,596**	**–**	**–**	**–**	**–**	**4,596**	**–**	**–**	**–**
South Asia	**512**	**3**	**–**	**–**	**–**	**515**	**–**	**–**	**–**
ASEAN	**7,760**	**18**	**160**	**(160)**	**(1)**	**7,777**	**82**	**(1)**	**81**
MENAP	**2,265**	**1**	**–**	**–**	**–**	**2,266**	**–**	**–**	**–**
Africa	**859**	**97**	**1**	**–**	**–**	**957**	**–**	**–**	**–**
Americas	**10,528**	**4**	**–**	**–**	**–**	**10,532**	**–**	**–**	**–**
Europe	**18,529**	**181**	**43**	**(3)**	**–**	**18,750**	**8**	**–**	**8**
	66,424	**305**	**204**	**(163)**	**(1)**	**66,769**	**90**	**(1)**	**89**

	2014								
	Balance sheet[1]						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 $million
Greater China	28,757	1	–	–	–	28,758	3	–	3
North East Asia	5,997	–	–	–	–	5,997	–	–	–
South Asia	485	3	–	–	–	488	–	–	–
ASEAN	12,297	5	165	(78)	(1)	12,388	–	–	–
MENAP	1,604	–	–	–	(1)	1,603	–	–	–
Africa	930	10	–	–	–	940	–	–	–
Americas	12,641	20	–	–	–	12,661	–	–	–
Europe	24,645	4	37	(21)	–	24,665	1	–	1
	87,356	43	202	(99)	(2)	87,500	4	–	4

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

Problem credit management and provisioning

Non-performing loans by client segment

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

	2015				
	Corporate & Institutional Clients $million	Commercial Clients $million	Private Banking Clients $million	Retail Clients $million	Total $million
Gross non-performing loans at 1 January	5,510	1,095	90	797	7,492
Exchange translation differences	(244)	(48)	(2)	(55)	(349)
Classified as non-performing during the year	6,128	601	394	561	7,684
Recoveries on loans and advances previously written off	–	–	–	5	5
Additions	6,128	601	394	566	7,689
Transferred to assets held for sale	–	–	–	–	–
Transferred to performing during the year	(32)	(7)	(6)	(59)	(104)
Net repayments	(456)	(131)	–	(144)	(731)
Amounts written off	(477)	(228)	(93)	(305)	(1,103)
Disposals of loans	(1)	(23)	(58)	(53)	(135)
Reductions	(966)	(389)	(157)	(561)	(2,073)
Gross non-performing loans at 31 December	10,428	1,259	325	747	12,759
Individual impairment provisions[1]	(5,098)	(748)	(3)	(279)	(6,128)
Net non-performing loans	5,330	511	322	468	6,631
Portfolio impairment provision	(228)	(112)	(2)	(316)	(658)
Total	5,102	399	320	152	5,973
Cover ratio	51%	68%	2%	80%	53%
Collateral ($million)	1,547	298	322	258	2,425
Cover ratio (after collateral, excluding PIP)	64%	83%	100%	72%	67%
Of the above, included in liquidation portfolio					
Gross non-performing loans at 31 December	7,210	–	302	–	7,512
Individual impairment provisions	(3,544)	–	–	–	(3,544)
Net non-performing loans	3,666	–	302	–	3,968
Portfolio impairment provision	–	–	–	–	–
Total	3,666	–	302	–	3,968
Cover ratio	49%	–	–	–	47%
Collateral ($million)	992	–	302	–	1,294
Cover ratio (after collateral, excluding PIP)	63%	–	100%	–	64%

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

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

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

Non-performing loans by geographic region

Gross NPLs increased by $5,267 million, or 70 per cent, since 2014. These increases were primarily driven by a large exposure financially booked in Europe and is part of the liquidation portfolio. The following tables set out the total NPLs to banks and customers on the basis of the geographic regions:

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

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

1. The disclosures in the Risk profile section are presented on the basis of booking location and not customer location
2. The difference to total individual impairment provision reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days

Individual and portfolio impairment provisions

The present value of estimated future cash flows, discounted at the asset's original effective interest rate is used to determine the amount of any impairment. In the case of restructured loans, the effect and timing of the disposal strategy is included in the estimate of future cash flows.

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

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

1. Provision previously reported under other impairment

By geographic region

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

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

1. Provision previously reported under other impairment

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

Individually impaired loans by client segment

Gross impaired loans remains stable in Retail Clients compared to 2014, at $0.8 billion. Corporate & Institutional Clients gross individually impaired loans increased by $4.3 billion, or 71 per cent since 2014 primarily in Europe as a result of the migration of an interconnected group of exposures within the liquidation portfolio from CG 12.

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

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

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

1. Other movement in gross impaired loans includes repayments, amounts written off and disposals of loans
2. Other movement in provision include provision previously reported under other impairment

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

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

Selected portfolios

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

	2015			2014		
	Debt securities $million	**Treasury bills $million**	**Total $million**	Debt securities $million	Treasury bills $million	Total $million
Net impaired securities:						
Impaired securities	**395**	**–**	**395**	409[1]	–	409
Impairment	**(283)**	**–**	**(283)**	(314)	–	(314)
	112	**–**	**112**	95	–	95
Securities neither past due nor impaired:						
AAA	**28,996**	**15,778**	**44,774**	31,549	5,569	37,118
AA- to AA+	**30,688**	**12,930**	**43,618**	23,131	13,621	36,752
A- to A+	**10,590**	**451**	**11,041**	19,489	640	20,129
BBB- to BBB+	**9,389**	**1,962**	**11,351**	10,158[1]	3,393	13,551
Lower than BBB-	**3,106**	**1,578**	**4,684**	3,423	2,097	5,520
Unrated	**10,998**	**613**	**11,611**	7,832[1]	581	8,413
	93,767	**33,312**	**127,079**	95,582	25,901	121,483
	93,879	**33,312**	**127,191**	95,677	25,901	121,578
Of which:						
Assets at fair value						
Trading	**12,896**	**859**	**13,755**	17,735	1,720	19,455
Designated at fair value	**389**	**–**	**389**	–	92	92
Available-for-sale	**77,684**	**32,453**	**110,137**	74,937	24,073	99,010
	90,969	**33,312**	**124,281**	92,672	25,885	118,557
Assets at amortised cost						
Loans and receivables	**2,700**	**–**	**2,700**	2,883	–	2,883
Held-to-maturity	**210**	**–**	**210**	122	16	138
	2,910	**–**	**2,910**	3,005	16	3,021
	93,879	**33,312**	**127,191**	95,677	25,901	121,578

1. Balances have been restated

The above table analyses debt securities and treasury bills that are neither past due nor impaired by external credit rating. The standard credit ratings used by the Group are those used by Standard & Poor's or its equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating, as described under credit rating and measurement on page 207.

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

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

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

Asset backed securities (unaudited)

Total exposures to asset backed securities

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

1. Fair value reflects the value of the entire portfolio, including assets redesignated to loans and receivables
2. Other asset backed securities include auto loans, credit cards, student loans, future flows and trade receivables

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

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

The Group also has an existing portfolio of ABS which it reclassified from trading and available-for-sale to loans and receivables with effect from 1 July 2008. No assets have been reclassified since 2008. This portfolio has been gradually managed down since 2010. The carrying value and fair value for this part of the portfolio were $100 million and $99 million respectively as at 31 December 2015 (31 December 2014: $316 million and $334 million respectively).

Note 15 to the Financial statements and notes on page 278 provides details of the remaining balance of those assets reclassified in 2008

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

Financial statement impact of asset backed securities

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

Selected European country exposures

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

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

The Group has no direct sovereign exposure (as defined by the European Banking Authority) to the eurozone countries of Greece, Ireland, Italy, Portugal and Spain (GIIPS) and only $1.7 billion direct sovereign exposure to other eurozone countries. The Group's non-sovereign exposure to GIIPS is $3.4 billion ($1.5 billion after collateral and netting) and $41 billion ($24.2 billion after collateral and netting) to the remainder of the eurozone. This exposure primarily consists of balances with banks. The substantial majority of the Group's total gross GIIPS exposure has a tenor of less than five years, with approximately 80 per cent having a tenor of less than one year. The Group has no direct sovereign exposure and $91 million (2014: $120 million) of non-sovereign exposure (after collateral and netting) to Cyprus.

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

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

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

	2015					
	Greece $million	Ireland $million	Italy $million	Portugal $million	Spain $million	Total $million
As at 31 December 2015						
Loans and advances						
Loans and receivables	–	1,670	284	–	142	2,096
Held at fair value through profit or loss	–	–	–	–	–	–
Total gross loans and advances	–	1,670	284	–	142	2,096
Collateral held against loans and advances	–	(1,266)	(2)	–	(123)	(1391)
Total net loans and advances	–	404	282	–	19	705
Debt securities						
Trading	–	–	–	–	–	–
Designated at fair value	–	–	–	–	15	15
Available-for-sale	–	55	–	–	–	55
Loans and receivables	–	–	–	–	–	–
Total gross debt securities	–	55	–	–	15	70
Collateral held against debt securities	–	–	–	–	–	–
Total net debt securities	–	55	–	–	15	70
Derivatives						
Gross exposure	–	473	30	–	278	781
Collateral/netting[1]	–	(221)	(28)	–	(268)	(517)
Total derivatives	–	252	2	–	10	264
Contingent liabilities and commitments	6	–	406	–	36	448
Total net exposure (on- and off-balance sheet)[1]	6	711	690	–	80	1,487
Total balance sheet exposure	–	2,198	314	–	435	2,947
As at 31 December 2014						
Net loans and advances	–	159	26	–	85	270
Net debt securities	–	100	–	–	37	137
Net derivatives	–	3	10	–	–	13
Contingent liabilities and commitments	6	–	410	–	205	621
Total net exposure (on- and off-balance sheet)[1]	6	262	446	–	327	1,041

1. Based on International Swaps and Derivatives Association netting

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

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

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

Country cross-border risk (unaudited)

Country cross-border risk is the risk that we will be unable to obtain payment from our customers or third parties on their contractual obligations as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency. See further details of our approach to managing country cross-border risk on page 211.

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

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

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

The overall size of cross-border exposure to India reflects the size of the Group's franchise in the country, and the facilitation of overseas investment and trade flows supported by parent companies in India. Short-term cross-border exposure to India declined during 2015 in response to the slowing in global trade finance flows. Portfolio management action, and a slowing in the origination of new business due to underlying economic conditions, contributed to the decline in medium-term (tenor greater than 12 months) cross-border exposure to India throughout 2015.

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

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

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

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

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

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

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

Market risk

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Group's exposure to market risk arises predominantly from providing clients access to financial markets, facilitation of which entails the Group taking moderate market risk positions. All trading teams support client activity; there are no proprietary trading teams. Hence, income earned from market risk-related activities is primarily driven by the volume of client activity rather than risk-taking. Market risk also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high-quality liquid debt securities and from the translation of non-US dollar denominated assets, liabilities and earnings. A summary of our current policies and practices regarding market risk management is provided in Risk management approach on pages 211 and 212.

The primary categories of market risk for the Group are:

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

Market risk changes

Market risk value at risk changes

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

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

Daily value at risk (value at risk at 97.5 per cent, one day)

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

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

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

1. Highest and lowest value at risk (VaR) for each risk factor are independent and usually occur on different days
2. Actual one-day VaR at year end date
3. Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale
4. The total VaR shown in the tables above is not a sum of the component risks due to offsets between them
5. Trading book for market risk is defined in accordance with the EU Capital Requirements Regulation (CRDIV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book. This regulatory definition is narrower than the accounting definition of the trading book within IAS 39 *Financial Instruments: Recognition and Measurement*

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

	2015				2014			
	Average $million	**High[1] $million**	**Low[1] $million**	**Actual[2] $million**	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Trading and non-trading	**32.9**	**45.9**	**24.4**	**36.1**	34.4	47.4	25.2	26.5
Trading[3]								
Rates	**5.5**	**7.0**	**3.5**	**5.1**	6.3	13.7	3.7	3.9
Global Foreign Exchange	**4.9**	**9.0**	**2.3**	**4.8**	3.6	6.7	2.2	4.7
Credit Trading and Capital Markets	**2.7**	**4.3**	**1.9**	**2.4**	3.9	8.2	2.8	2.8
Commodities	**1.6**	**2.6**	**0.7**	**1.6**	1.4	2.9	0.7	0.7
Equities	**1.7**	**2.8**	**0.7**	**0.8**	1.6	2.4	1.3	2.0
Total[4]	**9.9**	**13.2**	**6.8**	**9.7**	10.6	20.8	7.1	7.6
Non-trading								
Asset and Liability Management	**24.1**	**34.6**	**15.6**	**30.3**	20.6	26.6	14.5	17.7
Other Financial Markets non-trading book	**0.6**	**2.2**	**0.1**	**0.3**	1.2	1.5	0.9	1.3
Listed Private Equity	**12.9**	**17.9**	**9.2**	**10.4**	17.2	19.1	15.5	16.1
Total[4]	**29.6**	**37.8**	**23.2**	**31.4**	30.1	39.0	17.3	25.1

1. Highest and lowest value at risk (VaR) for each risk factor are independent and usually occur on different days
2. Actual one-day VaR at year-end date
3. Trading book for market risk is defined in accordance with the EU Capital Requirements Regulation (CRDIV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book. This regulatory definition is narrower than the accounting definition of the trading book within IAS 39 *Financial Instruments: Recognition and Measurement*
4. The total VaR shown in the tables above is not a sum of the component risks due to offsets between them

Risks not in value at risk (unaudited)

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

Backtesting (unaudited)

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

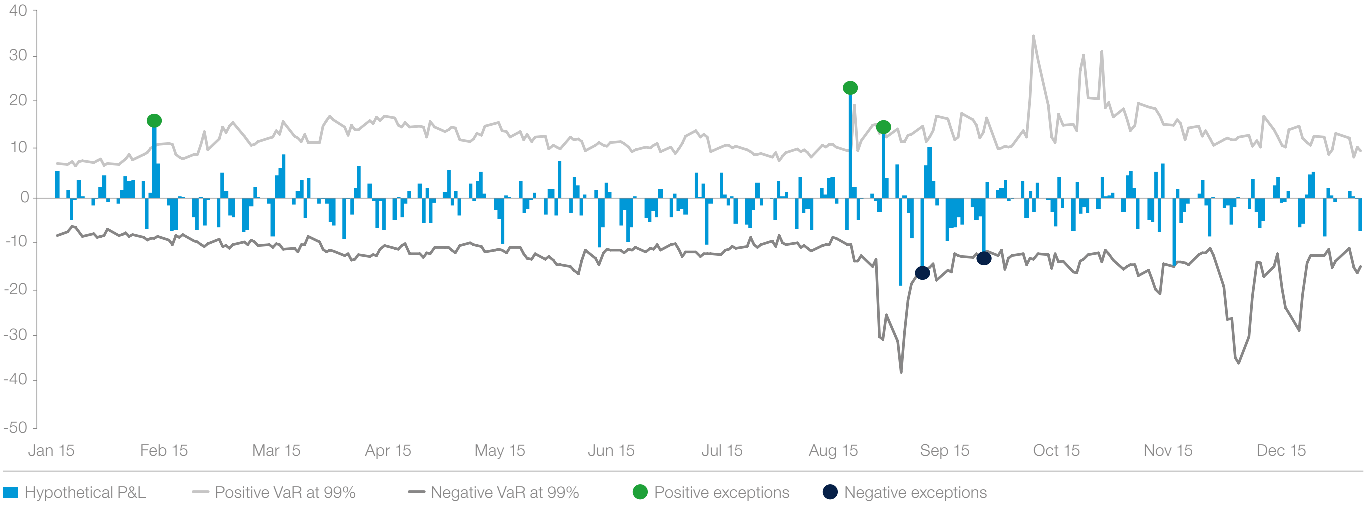
These occasions were due to market reaction or anticipation of central bank action in China and the US:

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

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

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

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



Financial Markets loss days

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

1. Reflects total product income for Financial Markets excluding Asset and Liability Management business (non-trading) and periodic valuation changes for Capital Markets, expected loss provisions and overnight index swap discounting

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

	2015 $million	2014 $million
Trading		
Interest rate risk	**1.8**	3.9
Foreign exchange risk	**5.2**	5.1
Commodity risk	**1.0**	1.4
Equity risk	**0.3**	0.6
Total	**8.3**	11.0
Non-trading		
Interest rate risk	**2.1**	3.2
Equity risk	**0.4**	0.1
Total	**2.5**	3.3

1. Reflects total product income which is the sum of client income and own account income. Includes elements of trading income, interest income and other income which are generated from market risk-related activities

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

Market risk contributes only 5.9 per cent of the Group's regulatory capital risk-weighted asset (RWA) requirement (see RWA table on page 221). As highlighted in the VaR disclosure, the majority of market risk is managed within Financial Markets which spans both trading book and non-trading book. The non-trading equity market risk is generated by listed Private Equity holdings within Principal Finance. Group Treasury manages the market risk associated with debt and equity capital issuance.

	Amounts as per financial statements $million	Exposure to trading risk $million	Exposure to non-trading risk $million	Market risk type
Financial assets				
Derivative financial instruments	63,143	60,816	2,327	Interest rate, foreign exchange, commodity or equity risk
Loans and advances to banks	66,769	14,475	52,294	Interest rate or foreign exchange risk
Loans and advances to customers	261,403	18,080	243,323	Interest rate or foreign exchange risk
Debt securities	93,879	13,248	80,631	Interest rate mainly, but also foreign exchange or equity risk
Treasury bills	33,312	858	32,454	Interest rate or foreign exchange risk
Equities	4,655	2,236	2,419	Equities risk mainly, but also interest or foreign exchange risk
Other assets	34,601	4,109	30,492	Interest rate, foreign exchange, commodity or equity risk
Total	557,762	113,822	443,940	
Financial liabilities				
Deposits by banks	38,248	–	38,248	Interest rate or foreign exchange risk
Customer accounts	359,127	–	359,127	Interest rate or foreign exchange risk
Debt securities in issue	68,797	–	68,797	Interest rate mainly, but also foreign exchange or equity risk
Derivatives financial instruments	61,939	60,941	998	Interest rate, foreign exchange, commodity or equity risk
Short positions	2,824	2,813	11	Interest rate, foreign exchange, commodity or equity risk
Total	530,935	63,754	467,181	

Group Treasury market risk

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

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

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

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

Structural foreign exchange exposures

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

	2015 $million	2014 $million
Hong Kong dollar	**6,973**	7,708[1]
Korean won	**2,448**	4,782
Indian rupee	**4,434**	4,425
Taiwanese dollar	**2,143**	2,755
Renminbi	**3,577**	3,586
Singapore dollar	**2,654**	2,768
Thai baht	**1,332**	1,608
UAE dirham	**1,647**	1,757
Malaysian ringgit	**1,291**	1,578
Indonesian rupiah	**994**	1,185
Pakistani rupee	**588**	594
Other	**3,535**	3,948
	31,616	36,694[1]

1. Balances have been restated

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

Derivatives

Derivatives are contracts with characteristics and value derived from underlying financial instruments, interest and exchange rates or indices. They include futures, forwards, swaps and options transactions. See further details in Risk management approach on page 212.

Hedging

The notional value of interest rate swaps for the purpose of fair value hedging increased by $4.4 billion as at 31 December 2015, compared to 31 December 2014. Fair value hedges largely hedge the interest rate risk on our sub-debt and debt securities in the UK, which form part of the Group's liquidity buffers and are used to manage fixed-rate securities and loan portfolios in our key markets. Currency and interest rate swaps used for cash flow hedging have decreased by $4.6 billion as at 31 December 2015, compared to 31 December 2014. The decrease of cash flow hedges is attributable to floating rate loans, bonds and deposits, mainly in Korea and Singapore.

Liquidity risk

Liquidity risk is the risk that the Group does not have enough financial resources to meet its obligations as they fall due without incurring excessive cost. The Group's liquidity framework requires each country to operate on a standalone basis without implicit reliance on Group support or recourse to extraordinary central bank support. Further details on liquidity risk management are set out on page 213.

In order to achieve this, the Group applies a series of metrics with the objective of ensuring it can withstand a severe liquidity stress. In order to ensure the framework remains current and adapts to changing markets, business models or regulation, it is constantly re-evaluated.

In 2015, the Group updated its liquidity stress testing framework by requiring the Group to maintain a positive stressed net cash inflow after 60 days under a prescribed Group stress scenario.

The European adoption of the Basel Committee framework metric known as the liquidity coverage ratio (LCR) under the Capital Requirements Regulation and Directive (CRD IV) became a prudential requirement on 1 October 2015. This also constituted a material change to our previous prudential liquidity framework under the Prudential Regulation Authority (PRA), which previously applied the Individual Liquidity Adequacy Standards under the PRA's Prudential Sourcebook for Banks, Building Societies and Investment Firms 12.

Due to these changes to our liquidity framework, the Group looked to improve its overall funding profile and optimised its position throughout 2015 by actively pricing away deposits with low liquidity value under the new LCR regime.

The Group continued to maintain good access to wholesale markets. Conditions in the bank wholesale debt markets were generally positive in 2015. In 2015, the Group issued $7.4 billion of term debt securities, of which $5.4 billion of senior debt and $2 billion of Additional Tier 1 (AT1) securities (2014: $11.2[1] billion, of which $6.51 billion was senior debt and $4.7 billion was Tier 2 subordinated debt).

1. Balances have been restated

Primary sources of funding

A substantial portion of our assets are funded by customer deposits. Wholesale funding is diversified by type and maturity and represents a stable source of funds for the Group.

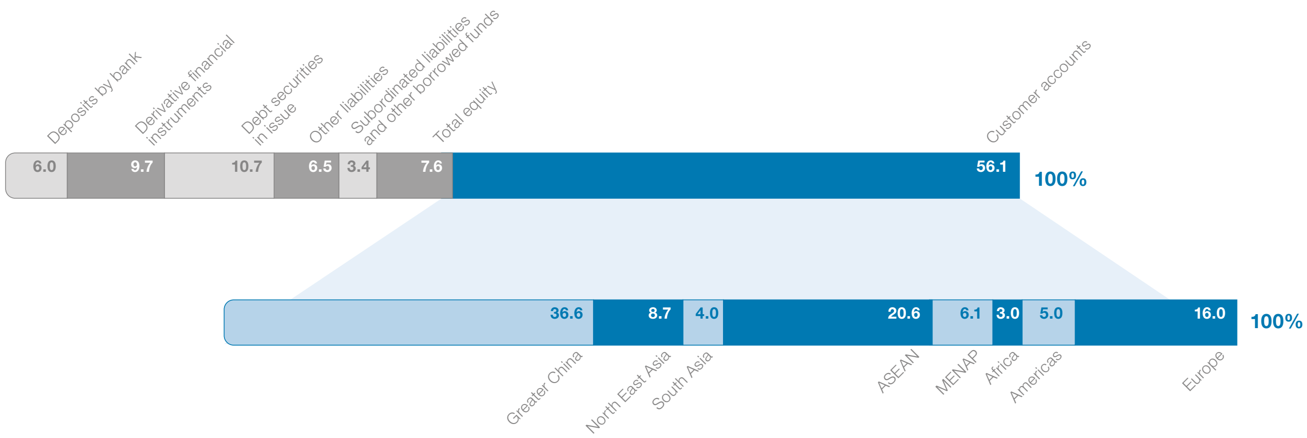
We maintain access to wholesale funding markets in all major financial centres and countries in which we operate. This seeks to ensure that we have market intelligence, maintain stable funding lines and can obtain optimal pricing when we perform our interest rate risk management activities.

Debt refinancing levels are low. In the next 12 months approximately $6.9 billion of the Group's senior debt securities are falling due for repayment either contractually or callable by the Group.

Further details of the Group's senior and subordinated debt by geography are provided in note 2 to the Financial statements and notes on page 256

The chart below shows the composition of liabilities in which customer deposits make up 56 per cent of total liabilities as at 31 December 2015, the majority of which are current accounts, savings accounts and Time Deposits. Our largest customer deposit base by geography is Greater China (in particular Hong Kong), which holds 37 per cent of Group customer accounts.

Group's composition of liabilities 31 December 2015



Geographic distribution of customer accounts 31 December 2015

Liquidity metrics

We monitor key liquidity metrics on a regular basis, both on a country basis and in aggregate across the Group. In addition to the metrics listed here, we also monitor other risk metrics, which are covered in Risk management approach on page 213.

Stressed coverage ratios

The Group intends to maintain a prudent and sustainable funding and liquidity position, in all presence countries and currencies, such that it can withstand severe liquidity stress:

- Across major presence countries, the Group intends to be able to meet its payment and collateral obligations for at least 60 days in a combined name-specific and market-wide liquidity stress, without recourse to extraordinary central bank support
- In smaller presence countries, each operating entity should be able to meet its payment and collateral obligations for at least 60 days in the event of a systemic market-wide stress in that country, without implicit reliance on Group support, or recourse to extraordinary central bank support

The market-wide liquidity stress scenario applied to each smaller presence country assumes differentiated mitigating management actions for countries with local systemic importance versus other countries.

Liquidity coverage ratio (unaudited)

The Group monitors and reports its liquidity position against the CRD IV LCR and has actively looked to continue to strengthen its liquidity position above the regulatory requirement. As at 31 December 2015, the Group LCR was well above 100 per cent. The net stable funding ratio is still evolving regulation and is not a prudential requirement until 2018.

Advances-to-deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advances-to-deposits ratio demonstrates that customer deposits exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers. Customer deposits tend to be more stable than wholesale funding and a core portion of these deposits is likely to remain with the bank for the medium term.

	2015 $million	2014 $million
Loans and advances to customers[1]	**261,403**	288,599
Customer accounts	**359,127**	414,189
Advances to deposits ratio	**72.8%**	69.7%

1. See note 19 to the Financial statements and notes on page 285

Liquid asset ratio

The liquid asset ratio (LAR) is a monitoring tool that looks at the proportion of the Group's total assets held in liquid assets, on a consolidated currency basis.

Liquid assets are the total cash (less restricted balances), treasury bills, loans and advances to banks (less deposits by banks) and debt securities (less illiquid securities).

Illiquid securities are debt securities that cannot be sold or exchanged easily for cash without substantial loss in value amounting to $1,210 million (2014: $492 million).

The Group keeps sufficient liquid assets to survive a number of severe stress scenarios, both internal and regulatory.

The Group LAR (30.9 per cent) decreased from the previous year (32.2 per cent), reflecting a decrease in liquid assets held mainly in the Americas, ASEAN and Europe.

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

2015	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Cash and balances at central banks	9,239	8,333	781	3,759	2,026	2,045	18,970	20,159	65,312
Restricted balances	(2,417)	(1,691)	(458)	(2,053)	(1,271)	(823)	(359)	(40)	(9,112)
Loans and advances to banks – net of non-performing loans	21,376	4,596	515	7,777	2,266	956	10,532	18,710	66,728
Deposits by banks	(4,635)	(3,678)	(351)	(4,892)	(2,342)	(387)	(10,967)	(10,996)	(38,248)
Treasury bills	8,693	4,210	1,184	4,703	1,125	2,183	4,595	6,619	33,312
Debt securities	31,686	3,863	4,754	12,289	5,605	2,049	4,336	29,297	93,879
of which:									
Issued by governments	17,235	2,318	4,253	4,803	4,400	932	52	9,343	43,336
Issued by banks	8,775	167	49	3,955	601	129	2,016	11,923	27,615
Issued by corporate and other entities	5,676	1,378	452	3,531	604	988	2,268	8,031	22,928
Illiquid securities and Other Assets	(599)	(61)	(274)	(40)	–	–	(4,063)	(9,180)	(14,217)
Liquid assets	**63,343**	**15,572**	**6,151**	**21,543**	**7,409**	**6,023**	**23,044**	**54,569**	**197,654**
Total assets	**181,102**	**58,881**	**24,547**	**121,442**	**34,345**	**18,079**	**62,770**	**139,317**	**640,483**
Liquid assets to total asset ratio (%)	**35.0%**	**26.4%**	**25.1%**	**17.7%**	**21.6%**	**33.3%**	**36.7%**	**39.2%**	**30.9%**

2014	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Cash and balances at central banks	9,017	5,278	808	4,182	2,239	1,682	42,257	31,819	97,282
Restricted balances	(3,339)	(919)	(486)	(2,098)	(1,602)	(710)	(877)	(42)	(10,073)
Loans and advances to banks – net of non-performing loans	28,758	5,997	488	12,301	1,603	940	12,661	24,649	87,397
Deposits by banks	(5,200)	(4,202)	(338)	(7,283)	(2,374)	(687)	(16,496)	(18,743)	(55,323)
Treasury bills	7,689	5,320	1,864	4,540	954	2,723	2,059	752	25,901
Debt securities	30,928	5,357	4,292	16,280	5,024	2,539	5,124	26,133	95,677
of which:									
Issued by governments	13,992	4,412	3,651	6,859	4,315	1,001	367	3,438	38,035
Issued by banks	10,495	185	163	4,088	272	430	3,823	14,149	33,605
Issued by corporate and other entities	6,441	760	478	5,333	437	1,108	934	8,546	24,037
Illiquid securities and Other Assets	(127)	(18)	(747)	(453)	(5)	–	(1,689)	(3,777)	(6,816)
Liquid assets	67,726	16,813	5,881	27,469	5,839	6,487	43,039	60,791	234,045
Total assets	210,351	69,746	26,968	160,958	38,272	20,076	85,427	114,116	725,914
Liquid assets to total asset ratio (%)	32.2%	24.1%	21.8%	17.1%	15.3%	32.3%	50.4%	53.3%	32.2%

Encumbered assets (unaudited)

Encumbered assets represent those on-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities. Hong Kong government certificates of indebtedness, which secure the equivalent amount of Hong Kong currency notes in circulation, and cash collateral pledged against derivatives are included within other assets.

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

	2015							
	Assets encumbered as a result of transactions with counterparties other than banks			**Other assets (comprising assets encumbered at the central bank and unencumbered assets)**				
				Assets positioned at the central bank (i.e. pre-positioned plus encumbered)	**Assets not positioned at the central bank**			
	As a result of securitisations $million	**Other $million**	**Total $million**	**$million**	**Readily available for encumbrance $million**	**Other assets that are capable of being encumbered $million**	**Cannot be encumbered $million**	**Total $million**
Cash and balances at central banks	**–**	**–**	**–**	**9,112**	**56,200**	**–**	**–**	**65,312**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**–**	**63,143**	**63,143**
Loans and advances to banks[1]	**–**	**–**	**–**	**–**	**31,121**	**–**	**35,648**	**66,769**
Loans and advances to customers[1]	**76**	**–**	**76**	**–**	**–**	**–**	**261,327**	**261,327**
Investment securities[1]	**–**	**2,147**	**2,147**	**230**	**95,539**	**22,425**	**11,505**	**129,699**
Other assets	**–**	**18,337**	**18,337**	**–**	**–**	**–**	**16,264**	**16,264**
Current tax assets	**–**	**–**	**–**	**–**	**–**	**–**	**388**	**388**
Prepayments and accrued income	**–**	**–**	**–**	**–**	**–**	**–**	**2,174**	**2,174**
Interests in associates and joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**1,937**	**1,937**
Goodwill and intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**4,642**	**4,642**
Property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**–**	**7,209**	**7,209**
Deferred tax assets	**–**	**–**	**–**	**–**	**–**	**–**	**1,059**	**1,059**
Total	**76**	**20,484**	**20,560**	**9,342**	**182,860**	**22,425**	**405,296**	**619,923**

	2014							
	Assets encumbered as a result of transactions with counterparties other than banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)				
				Assets positioned at the central bank (i.e. pre-positioned plus encumbered)	Assets not positioned at the central bank			
	As a result of securitisations $million	Other $million	Total $million	$million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Cannot be encumbered $million	Total $million
Cash and balances at central banks	–	–	–	10,073	87,209	–	–	97,282
Derivative financial instruments	–	–	–	–	–	–	65,834	65,834
Loans and advances to banks[1]	–	–	–	–	38,111	–	49,389	87,500
Loans and advances to customers[1]	27[2]	–	27	–	–	–	288,572[2]	288,572
Investment securities[1]	–	4,323	4,323	1,142	82,119[2]	24,278	17,485[2]	125,024
Other assets	–	15,049	15,049	–	–	–	23,640	23,640
Current tax assets	–	–	–	–	–	–	362	362
Prepayments and accrued income	–	–	–	–	–	–	2,647	2,647
Interests in associates and joint ventures	–	–	–	–	–	–	1,962	1,962
Goodwill and intangible assets	–	–	–	–	–	–	5,190	5,190
Property, plant and equipment	–	–	–	–	–	–	7,984	7,984
Deferred tax assets	–	–	–	–	–	–	518	518
Total	27	19,372	19,399	11,215	207,439	24,278	463,583	706,515

1. Includes assets held at fair value through profit or loss
2. Balances have been restated

In addition to the above, the Group received $52,841 million (2014: $27,910 million) as collateral under reverse repo agreements that was eligible for repledging; of this the Group sold or repledged $22,185 million (2014: $14,841 million) under repo agreements.

Readily available for encumbrance (unaudited)

Readily available for encumbrance includes unencumbered assets that can be sold outright or under repo within a few days, in line with regulatory definitions. The Group's readily available assets comprise cash and balances at central banks, loans and advances to banks, and investment securities.

Assets classified as not readily available for encumbrance include:

- Assets that have no restrictions for funding and collateral purposes, such as loans and advances to customers, which are not acquired or originated with the intent of generating liquidity value
- Assets that cannot be encumbered, such as derivatives, goodwill and intangible and deferred tax assets

Liquidity analysis of the Group's balance sheet

Contractual maturity of assets and liabilities

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

Within the tables below, cash and balances with central banks, interbank placements, treasury bills and investment securities that are available-for-sale are used by the Group principally for liquidity management purposes.

Contractual maturity

	2015								
	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	56,200	–	–	–	–	–	–	9,112	65,312
Derivative financial instruments	6,654	7,957	6,926	5,413	4,152	9,136	14,181	8,724	63,143
Loans and advances to banks[1]	31,208	16,629	9,180	3,648	2,494	1,982	1,590	38	66,769
Loans and advances to customers[1]	70,254	23,863	16,642	10,046	9,044	18,492	38,148	74,914	261,403
Investment securities	7,226	14,706	15,925	10,078	7,095	19,359	40,959	16,498	131,846
Other assets	21,263	5,198	2,456	82	216	105	236	22,454	52,010
Total assets	192,805	68,353	51,129	29,267	23,001	49,074	95,114	131,740	640,483
Liabilities									
Deposits by banks[1]	32,008	2,606	1,623	867	155	414	369	206	38,248
Customer accounts[1]	283,048	33,939	20,768	8,539	7,974	1,960	1,187	1,712	359,127
Derivative financial instruments	6,830	7,510	6,878	5,137	4,324	8,552	14,304	8,404	61,939
Senior debt	1,706	170	3,484	153	1,431	2,699	7,578	4,017	21,238
Other debt securities in issue[1]	9,430	15,641	9,104	1,345	976	3,453	776	6,834	47,559
Other liabilities	17,475	5,947	3,390	553	563	797	854	12,429	42,008
Subordinated liabilities and other borrowed funds	–	–	–	–	–	3,591	4,061	14,200	21,852
Total liabilities	350,497	65,813	45,247	16,594	15,423	21,466	29,129	47,802	591,971
Net liquidity gap	(157,692)	2,540	5,882	12,673	7,578	27,608	65,985	83,938	48,512

1. Amounts include financial instruments held at fair value through profit or loss (see note 15 on pages 266 and 267)

	2014								
	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	87,209	–	–	–	–	–	–	10,073	97,282
Derivative financial instruments	7,345	8,987	7,753	5,796	4,072	9,549	12,327	10,005	65,834
Loans and advances to banks[1]	38,111	18,421	15,388	6,260	5,663	1,774	1,813	70	87,500
Loans and advances to customers[1]	77,288	26,106	19,147	10,801	11,128	22,701	43,749	77,679	288,599
Investment securities[1]	9,951	13,065	11,245	8,202	8,446	20,881	36,917	20,640	129,347
Other assets	20,163	7,488	3,007	366	456	331	705	24,836	57,352
Total assets	240,067	74,067	56,540	31,425	29,765	55,236	95,511	143,303	725,914
Liabilities									
Deposits by banks[1]	49,903	2,776	784	168	349	118	681	544	55,323
Customer accounts[1]	308,310	49,482	24,117	10,342	10,847	6,194	1,899	2,998	414,189
Derivative financial instruments	7,832	8,844	7,605	5,478	3,737	8,714	12,449	8,654	63,313
Senior debt	215	191	2,607	904	2,663	5,303	8,938	3,323	24,144
Other debt securities in issue[1]	12,078	16,217	14,818	3,767	1,169	695	1,133	6,767	56,644
Other liabilities	16,780	7,692	4,731	808	336	426	915	10,928	42,616
Subordinated liabilities and other borrowed funds	–	–	–	6	–	1,013	5,114	16,814	22,947
Total liabilities	395,118	85,202	54,662	21,473	19,101	22,463	31,129	50,028	679,176
Net liquidity gap	(155,051)	(11,135)	1,878	9,952	10,664	32,773	64,382	93,275	46,738

1 Amounts include financial instruments held at fair value through profit or loss (see note 15 on pages 266 and 267)

Behavioural maturity of financial assets and liabilities

The cash flows presented on page 239 reflect the cash flows that will be contractually payable over the residual maturity of the instruments. However, contractual maturities do not necessarily reflect the timing of actual repayments or cash flow. In practice, certain asset and liability instruments behave differently from their contractual terms and, especially for short-term customer accounts, credit card balances and overdrafts, which extend to a longer period than their contractual maturity. On the other hand, mortgage balances tend to have a shorter repayment period than their contractual maturity date. Such behavioural adjustments are identified and managed in each country through analysis of the historical behaviour of balances. The Group's expectation of when assets and liabilities are likely to become due is provided in the table below.

Behavioural maturity

	2015								
	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]	**31,091**	**16,647**	**9,053**	**3,549**	**2,779**	**1,965**	**1,647**	**38**	**66,769**
Loans and advances to customers[1]	**54,687**	**22,171**	**13,262**	**8,045**	**13,269**	**18,084**	**79,150**	**52,735**	**261,403**
Total loans and advances	**85,778**	**38,818**	**22,315**	**11,594**	**16,048**	**20,049**	**80,797**	**52,773**	**328,172**
Liabilities									
Deposits by banks[1]	**21,861**	**2,705**	**1,744**	**985**	**278**	**9,758**	**711**	**206**	**38,248**
Customer accounts[1]	**115,514**	**21,641**	**13,423**	**8,821**	**17,582**	**65,241**	**114,913**	**1,992**	**359,127**
Total deposits	**137,375**	**24,346**	**15,167**	**9,806**	**17,860**	**74,999**	**115,624**	**2,198**	**397,375**
Net gap	**(51,597)**	**14,472**	**7,148**	**1,788**	**(1,812)**	**(54,950)**	**(34,827)**	**50,575**	**(69,203)**

1. Amounts include financial instruments held at fair value through profit or loss (see note 15 on pages 266 and 267)

	2014								
	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]	38,958	17,946	14,935	6,237	5,320	1,734	2,285	85	87,500
Loans and advances to customers[1]	56,456	22,008	14,780	9,023	15,786	22,079	90,032	58,435	288,599
Total loans and advances	95,414	39,954	29,715	15,260	21,106	23,813	92,317	58,520	376,099
Liabilities									
Deposits by banks[1]	37,983	2,854	841	224	421	11,719	737	544	55,323
Customer accounts[1]	144,144	29,151	15,898	11,151	22,720	79,491	107,446	4,188	414,189
Total deposits	182,127	32,005	16,739	11,375	23,141	91,210	108,183	4,732	469,512
Net gap	(86,713)	7,949	12,976	3,885	(2,035)	(67,397)	(15,866)	53,788	(93,413)

1. Amounts include financial instruments held at fair value through profit or loss (see note 15 on pages 266 and 267)

Maturity of financial liabilities (excluding derivative financial instruments) on an undiscounted basis

The following table analyses the contractual cash flows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the table below will not agree to the balances reported in the consolidated balance sheet as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Within the 'More than five years and undated' maturity band are undated financial liabilities, all of which relate to subordinated debt, on which interest payments are not included as this information would not be meaningful given the instruments are undated. Interest payments on these instruments are included within the relevant maturities up to five years.

	2015								
	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**
Deposits by banks	**31,677**	**2,615**	**1,629**	**875**	**161**	**495**	**625**	**254**	**38,331**
Customer accounts	**265,502**	**34,133**	**21,019**	**8,794**	**8,060**	**7,045**	**14,146**	**2,514**	**361,213**
Debt securities in issue	**11,216**	**15,855**	**12,739**	**1,566**	**2,597**	**6,592**	**9,280**	**13,302**	**73,147**
Subordinated liabilities and other borrowed funds	**174**	**92**	**1,200**	**344**	**147**	**4,571**	**6,415**	**20,136**	**33,079**
Other liabilities	**17,568**	**6,616**	**3,437**	**487**	**585**	**796**	**810**	**12,843**	**43,142**
Total liabilities	**326,137**	**59,311**	**40,024**	**12,066**	**11,550**	**19,499**	**31,276**	**49,049**	**548,912**

	2014								
	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
Deposits by banks	49,597	2,862	811	177	352	193	1,025	690	55,707
Customer accounts	297,368	49,629	24,341	10,453	10,978	10,419	14,410	4,108	421,706
Debt securities in issue	12,381	16,469	17,570	4,760	4,129	6,474	10,835	20,679	93,297
Subordinated liabilities and other borrowed funds	176	104	298	361	158	2,113	7,729	23,331	34,270
Other liabilities	16,505	7,751	4,742	812	338	427	904	11,140	42,619
Total liabilities	376,027	76,815	47,762	16,563	15,955	19,626	34,903	59,948	647,599

Maturity of derivative financial instruments on an undiscounted (notional) basis

Derivative financial instruments include those net settled derivative contracts in a net liability position, together with the pay leg of gross settled contracts regardless of whether the overall contract is in an asset or liability position. The receiving leg is not shown in this table and as a result the derivative amounts in this table are increased by their exclusion.

	2015								
	One month or less $million	**Between one month and three months $million**	**Between three months and six months $million**	**Between six months and nine months $million**	**Between nine months and one year $million**	**Between one year and two years $million**	**Between two years and five years $million**	**More than five years and undated $million**	**Total $million**
Derivative financial instruments	**435,036**	**375,963**	**179,355**	**132,034**	**87,710**	**105,856**	**137,942**	**83,673**	**1,537,569**

	2014								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Derivative financial instruments	289,423	260,266	196,477	125,491	95,975	149,660	160,721	102,694	1,380,707

Operational risk (unaudited)

We define operational risk as the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks.

As operational risk arises from all activities carried out within the Group, the potential for operational risk events occurring across a large and complex international organisation is a constant challenge. To address this we aim to achieve 'industrial strength' process and control design standards for all activities and benchmark practices against peers, other industries and regulatory requirements. A summary of our current policies and practices regarding operational risk management is provided in Risk management approach on pages 214 to 216.

Operational risk profile

The operational risk profile is the Group's overall exposure to operational risk, at a given point in time, covering all applicable operational risk types. The operational risk profile comprises both operational risk events and losses that have already occurred and the current exposures to operational risks which, at an aggregate level, includes the consideration of top risks and emerging risks.

Operational risk events and losses

The most significant losses reviewed by Group committees during the year were:

- The Group has recorded an operational risk event of $93.3 million relating to a credit impairment in its Private Banking Business (classified under the 'Retail Banking' Basel Business Line category) in Hong Kong. This was the highest operational risk loss recorded by the Group in 2015. A root cause analysis has been conducted and actions to enhance controls are underway
- The second-highest operational risk loss is $20.4 million recorded in relation to a legal claim against the Group for mis-selling of a derivative product in Indonesia. The Group commenced legal action to recover from the client in 2009 upon the client's default on contractual obligations. The client counterclaimed alleging a case of mis-selling. Final judgement was received in October 2015 in favour of the client. The Group's procedures were reviewed and revised in 2009 and continue to be enhanced to ensure products are appropriate and suitable for our clients

The Group's profile of operational loss events in 2015 and 2014 is summarised in the table below. It shows, by Basel business line, the percentage distribution of gross operational losses.

	% Loss	
Distribution of operational losses by Basel event type	**2015**	2014[3]
Agency services	**0.7%**	0.1%
Commercial banking	**21.7%**	6.3%
Corporate finance	**–**	1.2%
Corporate items	**4.0%**	41.3%
Payment and settlements	**7.3%**	17.7%
Retail banking[1]	**49.4%**	4.5%
Retail brokerage	**1.5%**	0.2%
Trading and sales[2]	**15.4%**	28.7%

1. Includes the operational risk event in Private Banking in Hong Kong
2. Includes the settlement for the mis-selling claim in Indonesia
3. 2014 losses are restated to ensure alignment with the revised classification of certain losses. This restatement does not impact the financial statement in 2014

Distribution of operational losses by Basel Business Line	% Loss 2015	% Loss 2014[3]
Business disruption and system failures	**0.4%**	0.1%
Clients' products and business practices[2]	**16.1%**	57.5%
Employment practices and workplace safety	**–**	–
Execution delivery and process management	**17.5%**	11.6%
External fraud	**24.7%**	29.0%
Internal fraud[1]	**41.4%**	1.8%

1. Includes the operational risk event in Private Banking in Hong Kong
2. Includes the settlement for the mis-selling claim in Indonesia
3. 2014 losses are restated to ensure alignment with the revised classification of certain losses. This restatement does not impact the financial statement in 2014

The Group's profile of operational loss events in 2015 and 2014 is also summarised in the table above. It shows the percentage distribution of gross operational losses by Basel event type.

Operational losses are one indicator of the effectiveness and robustness of the operational risk control environment. In addition, lessons learned reviews and root cause analyses from external and internal loss events, including near misses, are used to improve processes and controls.

Top risks and emerging risks

A top risk is a risk exposure, or a group of highly correlated risk exposures, that has the highest potential to breach the Group's risk capacity. The objective is to identify those risks that can materially impact the Group's risk capacity, and to calibrate metrics as early warning indicators against undesirable outcomes and performance under stress. Top risk candidates are identified through a top-down assessment of concentration of exposures or aggregation of risks and may also be a gross risk, triggering any one of a set of filtering criteria.

Emerging risks are also considered, both internally from the Group's internal operational risk profile and from external events. Where relevant, an emerging risk may be categorised and prioritised as a top risk for specific monitoring.

Given their significance, top risks attract closer scrutiny from top levels of management and governance committees. Top risks are expected to change over time based on top-down assessments by senior management.

The Group's operational top risks as at 31 December 2015 are shown in the table below.

Top risk

Macro-prudential, regulatory and external risks	Internal processes, systems and change risks
• Regulatory non-compliance	• Change management
• Anti-money laundering and terrorist financing	• Data management
• International sanctions	• Major systems failure
• External fraud	• Significant business interruption
• Information and cyber security	• Rogue trading
• Critical third-party vendors	• Internal fraud
• Additional conduct	• Market misconduct
• Anti-bribery and corruption	• Mis-selling
	• Product management
	• Collateral management

Other risks (unaudited)

Reputational risk

A summary of our current practices regarding reputational risk management is provided in the Risk management approach on page 216, and our areas of focus during 2015 are included in the update of the Brand, Values and Conduct Committee on page 89.

Environmental and social risk

Details of our approach to managing environmental and social risk are provided on page 216. In 2015, our Environmental and Social Risk Management (ESRM) team reviewed over 480 client relationships and transactions across a range of Position Statement sectors. For all risks identified, we seek to develop effective mitigating measures. Where this is not possible, transactions have been and will continue to be turned down. In 2015, we trained more than 1,700 staff on our requirements and processes.

We were pleased to join the Banking Environment Initiative in 2015 and continued our work as a member of the Equator Principles Steering Committee.

Pension risk

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes. See further pension disclosure in the Risk management approach on page 216.

Strategic risk

Strategic risk is the potential for opportunity loss from failure to optimise the earnings potential of the Group's franchise. Please refer to the Risk management approach on page 217 for further disclosures on strategic risk.

Principal uncertainties

An overview of our risk profile is set out in pages 161 to 199 and our approach to risk management is set out in pages 204 to 217.

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

Deteriorating macroeconomic conditions in footprint countries

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

The world economy is in a difficult period and although the rate of economic growth in some countries is increasing, other countries are facing difficult economic conditions. Further increases in US interest rates could lead to increased volatility in financial markets and capital flight from emerging markets which may lower the growth rates of some vulnerable economies in which the Group operates. Slowing economic growth rates in China may further depress prices and trade in a number of commodity sectors such as the energy, metals and mining sectors, and a prolonged slowdown could have wider economic repercussions. In particular, further weakness in energy prices could have a significant negative effect on energy producing countries via reduced government revenues and foreign exchange earnings with energy and related service industries vulnerable to reduced prices and lower levels of investment.

The sovereign crisis in the eurozone is not fully resolved and, although acute risks have been addressed by ongoing policy initiatives and the prospects for many of the European economies have improved, there is still a need for substantial structural reform (see additional information on the risk of redenomination on page 184). The proposed UK referendum on continued membership of the European Union (EU) would bring further economic and political uncertainty.

Although the Group has no direct sovereign exposure to affected European economies, including Greece, Ireland, Italy, Portugal and Spain, we remain alert to the risk of secondary impacts from events on financial institutions, other counterparties and global economic growth.

Inflation and property prices appear to be under control in most of the countries in which we operate, though some central banks continue to employ macroprudential tools to temper property price increases. Changes in monetary policy could lead to significant increases in interest rates from their currently low historical levels, with resulting impacts on the wider economy and on property values.

We balance risk and return, taking account of changing conditions through the economic cycle, and monitor economic trends in our markets very closely. We conduct stress tests to assess the effects of extreme but plausible trading conditions on our portfolio and also continuously review the suitability of our risk policies and controls. We manage credit exposures following the principle of diversification across products, geographies and client segments. This provides strong resilience against economic shocks in one or more of our portfolios.

Financial markets dislocation

A sudden financial markets dislocation could affect our performance, directly through its impact on the valuations of assets in our available-for-sale and trading portfolios or indirectly through the availability of capital or liquidity. Financial markets instability may also increase the likelihood of default by our counterparties and may increase the likelihood of client disputes.

We stress test our market risk exposures to highlight the potential impact of extreme market events on those exposures and to confirm that they are within authorised stress loss triggers. Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Where necessary, overall reductions in market risk exposure are enforced.

We carefully assess the performance of all of our counterparties in stress scenarios and adjust our limits accordingly.

We maintain robust processes to assess the suitability and appropriateness of the products and services we provide to our clients.

Geo-political events

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

We actively monitor the political situation in all our principal markets. We also monitor the development of broader geo-political events such as those in Ukraine, the Middle East and territorial disputes in North East Asia. We conduct stress tests on the impact of extreme but plausible geo-political events on our performance, and the potential for such events to jeopardise our ability to operate within our stated risk appetite. Further details on stress testing are given on page 207.

Risk of fraud and other criminal acts

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

While the internet and networked technologies have provided major opportunities for digitising business, they have also given rise to significant risks as well-equipped and motivated attackers become more sophisticated. The incidence of cyber crime is rising, becoming more globally coordinated, and is a challenge for all organisations.

We seek to be vigilant to the risk of internal and external crime in our management of people, processes and systems and in our dealings with clients and other stakeholders. The Group has implemented a range of cyber crime defences to protect from hacking, misuse, malware, errors, social engineering and physical threats. Controls are embedded in our policies and procedures across a wide range of the Group's activities, such as origination, recruitment and physical and information security. We perform regular reviews of our control environment, perform external benchmarking against government and international cyber standards and frameworks and conduct tests of our defences against cyber and other attacks.

In a heavily regulated environment with an increasing threat of cyber crime, the Group continues to monitor and respond to cyber risks vigilantly by building on current capabilities, reinforcing policy frameworks and strengthening monitoring and internal controls.

We use third-party security providers where appropriate to further protect, validate and strengthen our defences and we actively collaborate with our peers, regulators, law enforcement bodies and other expert bodies as part of our response to this risk.

Exchange rate movements

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

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

The following table sets out the period-end and average currency exchange rates versus the dollar for Indian rupee, Korean won, Malaysian ringgit, renminbi and Singapore dollar for the years ended 31 December 2015 and 31 December 2014. These are the markets for which currency exchange rate movements have had the greatest translation impact on the Group's results in 2015.

	2015	2014
Indian rupee		
Average	**64.11**	60.98
Period end	**66.13**	62.96
Korean won		
Average	**1,131.23**	1,052.25
Period end	**1,172.29**	1,098.85
Malaysian ringgit		
Average	**3.9059**	3.2702
Period end	**4.2921**	3.4947
Renminbi		
Average	**6.2283**	6.1431
Period end	**6.4915**	6.1255
Singapore dollar		
Average	**1.3748**	1.2667
Period end	**1.4172**	1.3253

Regulatory changes

Our business as an international bank will continue to be subject to an evolving and complex regulatory framework comprising legislation, regulation, action by regulators and codes of practice, in each of the countries in which we operate. A key uncertainty relates to the way in which governments and regulators adjust laws, regulations and economic policies in response to macroeconomic and other systemic conditions. The nature and impact of such future changes are not always predictable and could adversely affect our strategic interests. Some of these changes that could have a significant impact to the Group are discussed below.

The European Commission has published a legislative proposal for a regulation on structural measures improving the resilience of EU credit institutions, including a prohibition on proprietary trading and separation powers for supervisors relating to banks' trading activities. The proposed regulation is under discussion between the European Commission, the European Parliament and Council of the EU. It is currently uncertain when the regulation will be finalised, although it is expected it will be adopted during 2016 with a view to the prohibition on proprietary trading taking effect on 1 January 2017 and the separation powers for supervisors on 1 July 2018.

Uncertainty remains regarding the final calibration and implementation of (i) certain liquidity requirements (in particular, the net stable funding ratio) and the leverage ratio under the EU's Capital Requirements Directive and Regulation (CRD IV) (although the Prudential Regulation Authority has required large UK banks, including Standard Chartered, to meet a minimum 3 per cent leverage ratio requirement from 1 January 2016 and supplementary leverage ratio buffers ahead of final calibration by the European Union) and (ii) OTC derivative reforms across our markets, which could potentially have a material impact on the Group and its business model. Furthermore, proposals for regulatory changes may have unintended consequences either for individual banks or, in terms of aggregate impact, on the financial system. Depending on the final calibration and implementation of these measures, they could adversely affect economic growth, the volatility and liquidity of the financial markets and, consequently, the way we conduct business, structure our global operating model and manage capital and liquidity. These effects may directly or indirectly impact our financial performance.

Regulatory compliance, reviews, requests for information and investigations (audited)

While the Group seeks to comply with the letter and spirit of all applicable laws and regulations at all times, it has been, and may continue to be, subject to regulatory actions, reviews, requests for information (including subpoenas and requests for documents) and investigations across our markets, the outcomes of which are generally difficult to predict and can be material to the Group.

Regulatory and enforcement authorities have broad discretion to pursue prosecutions and impose a wide range of penalties for non-compliance with laws and regulations. Penalties imposed by authorities have included substantial monetary penalties, additional compliance and remediation requirements and additional business restrictions. In recent years, such authorities have exercised their discretion to impose increasingly severe penalties on financial institutions that have been determined to have violated laws and regulations, and there can be no assurance that future penalties will not be of a different type or increased severity.

In 2012, the Group reached settlements with the US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services (NYDFS), a Cease and Desist Order by the Board of Governors of the Federal Reserve System (FED), Deferred Prosecution Agreements (DPAs) with each of the Department of Justice (DOJ) and the New York County District Attorney's Office (DANY) and a Settlement Agreement with the Office of Foreign Assets Control (together, the 'Settlements'). In addition to the civil penalties totalling $667 million, the terms of these Settlements include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and, in connection with the NYDFS Consent Order, the appointment of an independent monitor (the 'Monitor'). These obligations are managed under a programme of work referred to as the US Supervisory Remediation Program (SRP). The SRP comprises work streams designed to ensure compliance with the remediation requirements contained in all of the Settlements. In 2013, the Group also established a Financial Crime Risk Mitigation Programme (FCRMP), which is a comprehensive, multi-year programme designed to review and enhance many aspects of the Group's existing approach to money laundering prevention and to combating terrorism finance and the approach to sanctions compliance and the prevention of bribery and corruption. Many of the deliverables under the SRP are reliant on, or led by, individuals or functions outside the US, and in some cases represent the US implementation of Group-wide remediation or upgrade activity managed under the FCRMP. Consequently, there is a close working relationship between the SRP and FCRMP for the purpose of project coordination and delivery. As part of the FCRMP, the Group or its advisors may identify new issues, potential breaches or matters requiring further review or further process improvements that could impact the scope or duration of the FCRMP.

The Group is engaged with all relevant authorities to implement these programmes and meet the obligations under the Settlements.

On 19 August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies in the AML transaction surveillance system in its New York branch (the 'Branch'). The system, which is separate from the sanctions screening process, is one part of the Group's overall financial crime controls and is designed to alert the Branch to unusual transaction patterns that require further investigation on a post-transaction basis.

The Settlement provisions are summarised as follows:

(i) A civil monetary penalty of $300 million

(ii) Enhancements to the transaction surveillance system at the Branch

(iii) A two-year extension to the term of the Monitor

(iv) The following set of temporary remediation measures, which will remain in place until the transaction surveillance system's detection scenarios are operating to a standard approved by the Monitor:

(a) The Branch will not, without prior approval of the NYDFS in consultation with the Monitor, open a dollar demand deposit account for any client that does not already have such an account with the Branch

(b) Requirements for inclusion of identifying information for originators and beneficiaries of some affiliate and third-party payment messages cleared through the Branch

(c) A restriction on dollar-clearing services for certain Hong Kong retail business clients

(d) Enhanced monitoring of certain small and medium-sized enterprise clients in the UAE. The Group decided to exit this business as part of its broader efforts to sharpen its strategic focus, withdrawing from or realigning non-strategic businesses, including those where increased regulatory costs undermine their economic viability. The exit process is largely complete and, in accordance with the settlement agreement, dollar clearance restrictions were implemented effective 17 November 2014.

The remit of the SRP has been expanded to cover the management of these obligations.

On 9 December 2014, the Group announced that the DOJ, DANY and the Group had agreed to a three-year extension of the DPAs until 10 December 2017, and to the retention of a monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme. The DOJ agreement acknowledges that the Group has taken a number of steps to comply with the requirements of the original DPAs and to enhance and optimise its sanctions compliance, including the implementation of more rigorous US sanctions policies and procedures, certified staff training, hiring of senior legal and financial crime compliance staff, and recently implementing additional measures to block payment instructions for countries subject to US sanctions laws and regulations. The Group will work closely with the authorities to make additional substantial improvements to its US sanctions programme to reach the standard required by the DPAs.

The Group is cooperating with an investigation by the US authorities and the New York State Attorney General relating to possible historical violations of US sanctions laws and regulations. In contrast to the 2012 settlements, which focused on the period before the Group's 2007 decision to stop doing new business with known Iranian parties, the ongoing investigation is focused on examining the extent to which conduct and control failures permitted clients with Iranian interests to conduct transactions through Standard Chartered Bank after 2007 and the extent to which any such failures were shared with relevant US authorities in 2012.

The Group recognises that its compliance with historical, current and future sanctions, as well as AML and BSA requirements, and customer due diligence practices, not just in the US but throughout its footprint, are and will remain a focus of the relevant authorities.

The Financial Conduct Authority (FCA) is investigating Standard Chartered Bank's financial crime controls, looking at the effectiveness and governance of those controls within the correspondent banking business carried out by Standard Chartered Bank's London branch, particularly in relation to the business carried on with respondent banks from outside the European Economic Area, and the effectiveness and governance of those controls in one of Standard Chartered Bank's overseas branches and the oversight exercised at Group level over those controls.

As part of their remit to oversee market conduct, regulators and other agencies in certain markets are conducting investigations or requesting reviews into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. At relevant times, certain of the Group's branches and/or subsidiaries were (and are) participants in some of those markets, in some cases submitting data to bodies that set such rates and other financial benchmarks. The Group is contributing to industry proposals to strengthen financial benchmarks processes in certain markets and continues to review its practices and processes in the light of the investigations, reviews and the industry proposals.

The Group is cooperating with all relevant ongoing reviews, requests for information and investigations. The outcome of these reviews, requests for information and investigations is uncertain and could result in further actions, penalties or fines, but it is not possible to predict the extent of any liabilities or other consequences that may arise.

In meeting regulatory expectations and demonstrating active risk management, the Group also takes steps to restrict or restructure or otherwise mitigate higher-risk business activities, which could include divesting or closing businesses that exist beyond risk tolerances.

For further details on legal and regulatory matters refer to note 41 on page 312.

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

Risk management approach

Risk Management Framework

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

Through our Risk Management Framework we manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our risk tolerance.

Credit, country cross-border, market, liquidity, operational, reputational, pension and strategic risk are covered in pages 204 to 217 and the approach to capital risk on pages 218 to 225.

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

Balancing risk and return

- We manage our risks to build a sustainable franchise, in the interests of all our stakeholders
- We only take risk within our risk tolerances and risk appetite, and where consistent with our approved strategy
- We manage our risk profile so as to maintain a low probability of an unexpected loss event that would materially undermine the confidence of our investors

Conduct of business

- We demonstrate we are Here for good through our conduct, and are mindful of the reputational consequences of inappropriate conduct
- We seek to achieve good outcomes for clients, investors and the markets in which we operate, while abiding by the spirit and letter of laws and regulations
- We treat our colleagues fairly and with respect

Responsibility and accountability

- We take individual responsibility to ensure risk-taking is disciplined and focused, particularly within our area of authority
- We make sure risk-taking is transparent, controlled and reported in line with the Risk Management Framework, within risk appetite and risk tolerance boundaries and only where there is appropriate infrastructure and resource
- Our approach is to work with clients who are committed to managing their impacts on communities and the environment in a sustainable manner

Anticipation

- We seek to anticipate material future risks, learn lessons from events that have produced adverse outcomes and ensure awareness of known risks

Competitive advantage

- We seek to achieve competitive advantage through efficient and effective risk management and control

Risk governance

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

Acting within an authority delegated by the Board, the Board Risk Committee, whose membership exclusively comprises non-executive directors of the Group, has responsibility for oversight and review of prudential risks, including but not limited to credit, market, capital, liquidity and operational risks. It reviews the Group's overall Risk Tolerance Statement and makes recommendations thereon to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material acquisitions and disposals, and monitoring the activities of the Group Risk Committee and the Group Asset and Liability Committee.

The Board Risk Committee receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. The Board Risk Committee also conducts 'deep dive' reviews on a rolling basis of different sections of a consolidated risk information report that is provided at each scheduled committee meeting.

The Brand, Values and Conduct Committee oversees the brand, values and good reputation of the Group, ensuring that reputational risk is consistent with the Risk Tolerance Statement approved by the Board and the creation of long-term shareholder value.

The Board Financial Crime Risk Committee oversees the Group's effective compliance with financial crime regulations.

The Audit Committee reviews the Group's internal financial controls to identify, assess, manage and monitor financial risks.

Further details on the role of the Board and its committees in matters of risk governance are covered in the Directors' report on pages 85 to 88

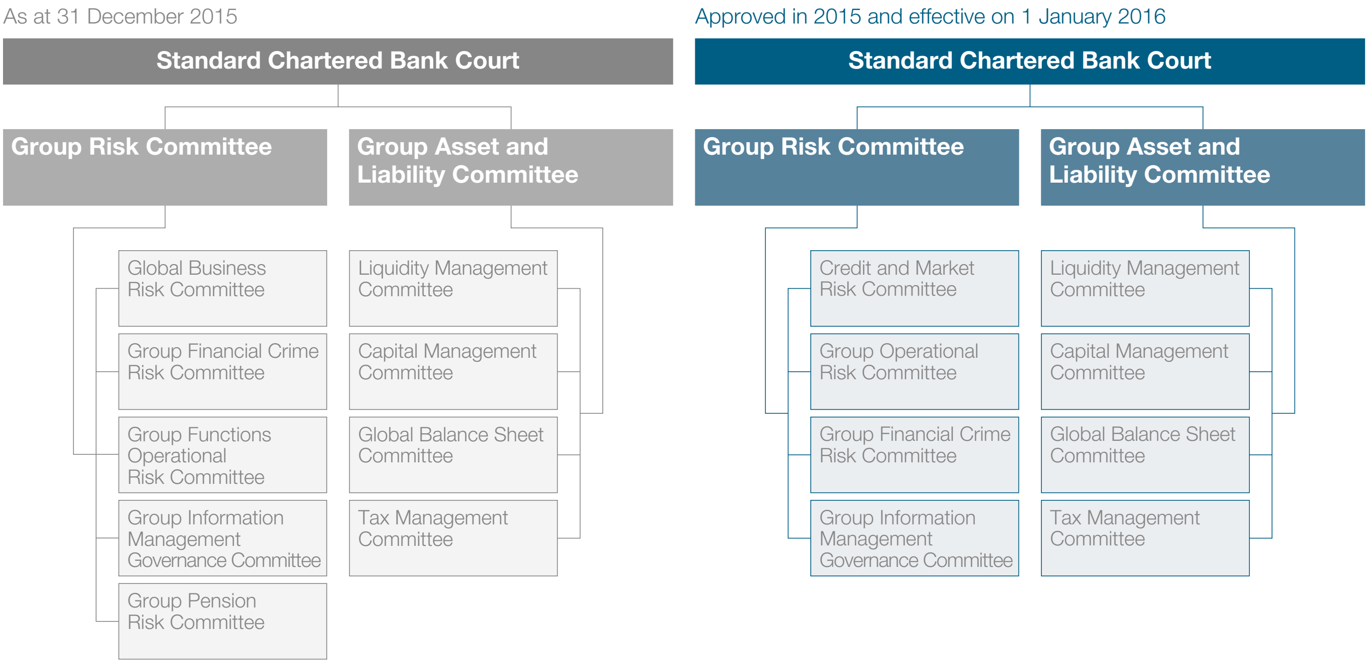
Executive responsibility for risk management is delegated to the Standard Chartered Bank Court (the 'Court'), which comprises the Group executive directors and other directors of Standard Chartered Bank.

The Court is the highest executive body of the Group and its terms of reference are approved by the Board of Standard Chartered PLC. The Court delegates authority for the management of risk to the Group Risk Committee and the Group Asset and Liability Committee.

The Group Risk Committee is responsible for the management of all risks other than those delegated by the Court to the Group Asset and Liability Committee. The Group Risk Committee is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, pension risk and reputational risk. The Group Risk Committee also defines our overall Risk Management Framework.

The Group Asset and Liability Committee is responsible for the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure.

How the Standard Chartered Court Committee structure has changed



The Group Risk Committee and the Group Asset and Liability Committee are essentially unchanged following the reorganisation of our business, although the committee structures below them have changed in some areas. Further simplification of the committee structure will be carried out in 2016 and some of these changes are discussed in the Capital review on page 225.

Members of the Group Risk Committee and the Group Asset and Liability Committee are drawn principally from the Court. The Group Risk Committee is chaired by the Group Chief Risk Officer. The Group Asset and Liability Committee is chaired by the Group Chief Financial Officer. Risk limits and risk exposure approval authority frameworks are set by the Group Risk Committee in respect of credit risk, country cross-border risk, market risk and operational risk. The Group Asset and Liability Committee sets the approval authority frameworks in respect of capital and liquidity risks. Risk approval authorities may be exercised by risk committees or authorised individuals.

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

The sources of authorities and risk committees are currently under review in light of the adoption of individual accountability principles under the Senior Managers Regime.

The Group Risk Committee and Group Asset and Liability Committee request for and receive information to fulfil their governance mandates relating to the risks to which the Group is exposed, and alerts senior management when risk reports do not meet their requirements. Similar to the Board Risk Committee, the Group Risk Committee and Group Asset and Liability Committee receives reports that include information on risk measures, risk tolerances, risk concentrations, forward-looking assessments, updates on specific risk situations or actions agreed by these committees to reduce or manage risk.

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

- First line of defence: all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business unit, function and geographic heads are accountable for risk management in their respective businesses and functions, and for countries where they have governance responsibilities
- Second line of defence: this comprises the risk control owners, supported by their respective control functions. Risk control owners are responsible for ensuring that the residual risks within the scope of their responsibilities remain within risk tolerance and risk appetite boundaries. The scope of a risk control owner's responsibilities is defined by a given risk type and the risk management processes that relate to that risk type. These responsibilities cut across the Group and are not constrained by functional, business and geographic boundaries. The major risk types are described individually in the following sections
- Third line of defence: the independent assurance provided by the Group Internal Audit function. Its role is defined and overseen by the Audit Committee of the Board

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

The Risk function

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

The role of the Risk function is:

- To maintain the Risk Management Framework, ensuring it remains appropriate to the Group's activities, is effectively communicated and implemented across the Group, and to administer related governance and reporting processes
- To uphold the overall integrity of the Group's risk/return decisions, and in particular ensure that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and controlled in accordance with the Group's standards and risk tolerance
- To exercise direct risk control ownership for credit, market, country cross-border, short-term liquidity and operational risk types

The independence of the Risk function is to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. This is particularly important given that revenues are recognised from the point of sale, while losses arising from risk positions typically manifest themselves over time.

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

Risk tolerance and appetite

We recognise three sets of constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

- **Risk capacity** defines externally imposed constraints within which the Group must operate. It is the maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by regulatory capital and liquidity requirements, or otherwise failing to meet the expectations of regulators and law enforcement agencies
- **Risk tolerance** is the boundary defined by the Board that determines the maximum level of risk the Group is ordinarily willing to take in pursuit of its strategy, in accordance with its risk principles. Risk tolerance must constrain risk to the levels where the potential for any financial or reputational damage is consistent with the sustained pursuit of strategy and in line with the reasonable expectations of stakeholders. Risk tolerance cannot exceed risk capacity
- **Risk appetite** is the amount of risk that the Group regards as optimal in order to generate returns, taking account of current and reasonably foreseeable external market conditions. Risk appetite cannot exceed risk tolerance

The Group's risk profile is our overall exposure to risk, at a given point in time, covering all applicable risk types. Risk control tools such as exposure limits, underwriting standards, scorecard cut-offs and policies and other operational control parameters are used to keep the Group's risk profile within risk appetite (and therefore also risk tolerance and risk capacity).

The Board has approved a Risk Tolerance Statement, which is underpinned by a set of financial and operational control parameters, known as risk tolerances. These risk tolerances directly constrain the aggregate risk exposures that can be taken across the Group. The number of risk tolerances has been increased in 2015 to include further credit and liquidity risk tolerances. In addition, a pension risk tolerance statement and risk tolerances have been introduced for the first time.

The Group's Risk Tolerance Statement, and the related risk tolerance categories approved by the Board, are as follows:

- General: the Group will not compromise adherence to its risk tolerances in order to pursue revenue growth or higher returns
- Credit and country cross-border risk: the Group manages its credit and country cross-border exposures following the principle of diversification across products, geographies, client segments and industry sectors. Specific risk tolerances are set for individual and top 20 single-name credit concentrations, industry credit concentrations, portfolio tenor, retail unsecured credit risk concentrations, high risk retail unsecured credit risk concentrations, mortgage high loan-to-value concentrations and country cross-border credit risk concentrations
- Capital and earnings volatility: under stressed conditions, of a severity experienced on average once in 25 years, the Group's prudential capital ratios on a transitional basis should exceed minimum regulatory capital requirements (being the level at which the Group can operate without additional regulatory restrictions on its activities), without recourse to external sources. Specific tolerances are set for minimum Common Equity Tier 1 capital and leverage ratios under 1-in-25 year stress conditions
- Market risk: the Group should control its trading portfolio and activities to ensure that market risk losses (financial or reputational) do not cause material damage to the Group's franchise. Specific tolerances are set for resilience to market stress and to profit and loss volatility in Financial Markets
- Liquidity risk: the Group should be able to meet its payment and collateral obligations under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support. Specific tolerances are set for liquidity stress survival horizons, short-term wholesale borrowing, minimum advances to deposits and liquidity coverage ratios
- Operational risk: the Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise. This statement is underpinned by risk tolerances for each operational top risk. See page 198 for the list of the Group's current operational top risks
- Reputational risk: the Group will protect its reputation to ensure that there is no material damage to the Group's franchise
- Pension risk: the Group will manage its pension plans such that:
  - There is no material unexpected deterioration in their funding requirements or other financial metrics
  - Members' benefits will continue in their current form although management actions such as a removal of discretionary benefits are allowable in the case of a market stress event

The Group Risk Committee and the Group Asset and Liability Committee are responsible for ensuring that our risk profile is managed in compliance with the risk tolerances set by the Board. The Board Risk Committee advises the Board on the Risk Tolerance Statement and monitors that the Group remains in compliance with it.

Stress testing

Stress testing and scenario analysis are used to assess the ability of Standard Chartered to continue operating effectively under extreme but plausible macrofinancial conditions.

Our approach to stress testing is designed to:

- Contribute to the setting and monitoring of Board-level risk tolerance limits
- Contribute to the setting and monitoring of executive-level risk appetite and risk management more generally
- Identify key risks to our capital and liquidity positions, strategy, franchise and reputation
- Support the development of strategic management actions and contingency plans, including business continuity, to ensure the Group can recover from extreme but plausible conditions
- Meet regulatory requirements

Stress tests are performed at Group, country and business level. Bespoke scenarios are applied to our market and liquidity positions as described in the section on market risk on page 212 and liquidity risk on page 214. In addition to these, our stress tests also focus on the potential impact of macrofinancial, geo-political and physical events on relevant geographies, client segments and risk types including among others credit risk which is discussed in more detail below.

Credit risk

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

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework. The Group manages its credit exposures following the principle of diversification across products, geographies, industries, collateral types and client segments.

Credit Risk Committee

The Credit Risk Committee, which receives its ultimate authority from the Group Risk Committee, is the primary senior management committee to ensure the effective management of credit risk throughout the Group in line with risk appetite and in support of Group strategy. The Credit Risk Committee regularly meets to monitor all material credit risk exposures, key internal developments and external trends, and ensure that appropriate action is taken. It is chaired by the Group Chief Credit Officer.

Credit policies

Group-wide credit policies and standards are considered and approved by the Group Risk Committee, which also oversees the delegation of credit approval and loan impairment provisioning authorities. These policies set key control standards on credit origination and credit risk assessment, concentration risk and large exposures, credit risk mitigation, credit monitoring, collection and recovery management. In addition, there are other Group-wide policies integral to credit risk management such as those relating to stress testing, risk measurement and impairment provisioning.

Policies and procedures specific to each client or product segment are established by authorised bodies. These are consistent with our Group-wide credit policies, but are more detailed and adapted to reflect the different risk characteristics across client and product segments. Policies are regularly reviewed and monitored to ensure these remain effective and consistent with the risk environment and risk appetite.

Credit rating and measurement

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions.

Since 1 January 2008, Standard Chartered has used the advanced internal ratings-based (AIRB) approach under the Basel II regulatory framework to calculate credit risk capital requirements.

A standard alphanumeric credit risk grade (CG) system for Corporate & Institutional Clients and Commercial Clients is used. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower credit grades are indicative of a lower likelihood of default. CG 1 to 12 are assigned to performing customers or accounts, while CG 13 and 14 are assigned to non-performing or defaulted customers. An analysis by CG of those loans that are neither past due nor impaired is set out on pages 172 and 173.

Retail Clients IRB portfolios use application and behaviour credit scores that are calibrated to generate a probability of default and then mapped to the standard alphanumeric credit risk grade system. We refer to external ratings from credit bureaus (where these are available), however, we do not rely solely on these to determine Retail Clients' CGs.

AIRB models cover a substantial majority of our exposures and are used in assessing risks at a customer and portfolio level, setting strategy and optimising our risk return decisions. Material IRB risk measurement models are approved by the Credit Risk Committee, on the recommendation of the Credit Model Assessment Committee. The Credit Model Assessment Committee approves all other IRB risk measurement models, with all decisions noted to the Credit Risk Committee. The Credit Model Assessment Committee supports the Credit Risk Committee in ensuring risk identification and measurement capabilities are objective and consistent, so that risk control and risk origination decisions are properly informed. Prior to review by the Credit Model Assessment Committee, all IRB models are validated in detail by a model validation team, which is separate from the teams that develop and maintain the models. Models undergo annual periodic review. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process.

Credit approval and credit risk assessment

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Credit Approval Committee. The Credit Approval Committee is appointed by the Credit Risk Committee and derives its credit approving authority from the Group Risk Committee.

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

All credit proposals are subject to a robust credit risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration is usually based on the client's credit quality and the repayment capacity from operating cash flows for counterparties; and personal income or wealth for individual borrowers. The risk assessment gives due consideration to the client's liquidity and leverage position. Where applicable, the assessment includes a detailed analysis of the credit risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default. Lending activities that are considered as higher risk or non-standard are subjected to stricter minimum requirements and require escalation to a senior credit officer or authorised bodies. An analysis of the loan portfolio is set out on pages 162 to 167.

Credit concentration risk

Credit concentration risk may arise from a single large exposure to a counterparty or a group of connected counterparties, or from multiple exposures across the portfolio that are closely correlated.

Large exposure concentration risk is managed through concentration limits set by counterparty or group of connected counterparties.

At the portfolio level, credit concentration thresholds are set and monitored to control concentrations, where appropriate, by country, industry, product, tenor, collateral type, collateralisation level and credit risk profile.

For concentrations that are material at a Group level, thresholds are set and monitored by the Credit Risk Committee and reported to the Group Risk and Board Risk Committees.

Credit risk mitigation

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

The Group credit risk mitigation policy determines the key considerations for eligibility, enforceability and effectiveness of credit risk mitigation arrangements.

The Group has policies and procedures in place setting out the criteria for collateral to be recognised as a credit risk mitigant, including requirements concerning legal certainty, priority, concentration, correlation, liquidity and valuation parameters such as frequency of review and independence.

Collateral types that are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. The Group also enters into collateralised reverse repurchase agreements.

In order to be recognised as security and for the loan to be classified as secured, all items pledged must be valued independently and an active secondary resale market for the collateral must exist. Documentation must be held to enable the Group to realise the asset without the cooperation of the asset owner in the event that this is necessary. The Group also seeks to diversify its collateral holdings across asset classes and markets.

For certain types of lending, typically mortgages or asset financing where a first charge over the risk mitigant must be attained, the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default. The requirement for collateral is, however, not a substitute for the ability to pay, which is the primary consideration for any lending decisions.

Regular valuation of collateral is required in accordance with the Group's credit risk mitigation policy, which prescribes both the process of valuation and the frequency of valuation for different collateral types. The collateral must be independently valued prior to drawdown and regularly thereafter. The valuation frequency is typically annually and more frequent valuations are driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Risk mitigation benefits may be removed where the collateral value is not supported by a recent independent valuation.

For financial collateral to be eligible for recognition, the risk mitigant relied upon must be sufficiently liquid and its value over time sufficiently stable to provide appropriate certainty as to the credit protection achieved. Stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks in those portfolios. Physical collateral is required to be insured at all times against risk of physical loss or damage; insurance for other risks is kept under review.

Collateral values are, where appropriate, adjusted to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of possession.

Where guarantees or credit derivatives are used as credit risk mitigation, the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty. The main types of guarantors include banks, insurance companies, parent companies, shareholders and export credit agencies.

Traded products

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

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

The Group uses bilateral and multilateral netting to reduce pre-settlement and settlement counterparty risk. Pre-settlement risk exposures are normally netted using bilateral netting documentation in legally approved jurisdictions. Settlement exposures are generally netted using Delivery versus Payments or Payment versus Payments systems. Master netting agreements are generally enforced only in the event of default. In line with International Accounting Standards (IAS) 32, derivative exposures are presented on a net basis in the financial statements only if there is a legal right to offset and there is intent to settle on a net basis or realise the assets and liabilities simultaneously.

In addition, we enter into credit support annexes (CSAs) with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Further details on CSAs are set out on page 170.

Securities

The portfolio limits and parameters for the underwriting and purchase of all predefined securities assets to be held for sale are approved by the Underwriting Committee. The Underwriting Committee is established under the authority of the Credit Risk Committee. The business operates within set limits, which include country, single issuer, holding period and credit grade limits.

Day-to-day credit risk management activities for traded securities are carried out by a specialist team within the Risk function whose activities include oversight and approval within the levels delegated by the Underwriting Committee. Issuer credit risk, including settlement and pre-settlement risk, and price risk are controlled by the Risk function.

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

Credit monitoring

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

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

Credit risk committees meet regularly to assess the impact of external events and trends on the Group's credit risk portfolios and to define and implement our response in terms of appropriate changes to portfolio shape, portfolio and underwriting standards, risk policy and procedures.

Clients or portfolios are placed on early alert when they display signs of actual or potential weakness, for example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, non-performance of an obligation within the stipulated period, or there are concerns relating to ownership or management.

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

Typically, all Corporate & Institutional Clients, Commercial Clients and Private Banking Clients past due accounts are managed by GSAM.

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

Loan impairment

A loan is impaired when we believe that we will not recover a portion of the contractual cash flows. Specific definitions of when a loan is deemed as impaired are discussed in the following sections for Retail Clients as well as Corporate & Institutional, Commercial and Private Banking Clients.

The Group's loan loss provisions are established to recognise incurred impairment losses either on specific loan assets or within a portfolio of loans and advances. Individually impaired loans are those loans against which individual impairment provisions (IIP) have been raised.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Loan losses that have been incurred but have not been separately identified at the balance sheet date are determined by taking into account past loss experience as a result of uncertainties arising from the economic environment, and defaults based on portfolio trends. Actual losses identified could differ significantly from the impairment provisions reported, for example, as a result of uncertainties arising from the economic environment.

The total amount of the Group's impairment provision is inherently uncertain, being sensitive to changes in economic and credit conditions across the geographies in which the Group operates. Economic and credit conditions are interdependent within each geography and as a result there is no single factor to which the Group's loan impairment allowances as a whole are sensitive. It is possible that actual events over the next year differ from the assumptions built into our model, resulting in material adjustments to the carrying amount of loans and advances.

Retail Clients

For Retail Clients' portfolios, an account is considered 'impaired' when it meets certain defined threshold conditions in terms of overdue payments ('contractual impairment') or meets other objective conditions such as bankruptcy, debt restructuring, fraud or death. A loan is considered delinquent (or 'past due'), when the customer has failed to make a principal or interest payment in accordance with the loan contract. These threshold conditions are defined in policy and are set at the point where empirical evidence suggests that the client is unlikely to meet their contractual obligations or a loss of principal is expected.

Portfolio impairment provisions (PIP) cover the inherent losses in the portfolio that exist at the balance sheet date but have not been individually identified. Considerations applied in determining the appropriate level of portfolio provisions include historic loss experience, loss emergence periods, risk indicators such as delinquency rates, and the potential impact of existing external conditions. Some of these factors require judgemental overlays. PIPs take into account the fact that, while delinquency is an indication of impairment, not all delinquent loans (particularly those in the early stages of delinquency) will in fact be impaired. This will only become apparent with the passage of time and as we investigate the causes of delinquency on a case-by-case basis.

It is on this basis that Retail Client accounts are considered impaired when a credit obligation is at 150 days past due. There are, however, exceptions to this rule for portfolios where empirical evidence suggests that they should be set more conservatively.

The core components of the IIP calculation are the value of gross charge off and recoveries. Gross charge off and/or provisions are recognised when it is established that the account is unlikely to pay, either through past due or any other specific condition. Recovery of unsecured debt post-impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Provision release of secured loans post-impairment is recognised if the loan outstanding is paid in full (release of full provision), or the provision is higher than the loan outstanding (release of the excess provision), or the loan is paid to current and remains in current for more than 180 days (release of full provision).

For further details on Retail Clients see page 172 to 181.

Corporate & Institutional, Commercial and Private Banking Clients

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

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

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

As with Retail Clients, a PIP is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. This is set with reference to historical loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The PIP methodology provides for accounts for which an IIP has not been raised.

For further details on Corporate & Institutional, Commercial and Private Banking Clients see page 172 and page 181.

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 sub set of impaired loans.

Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the bank or a third party (including government-sponsored programmes or a conglomerate of credit institutions) and includes debt restructuring, such as a new repayment schedule, payment deferrals, tenor extensions and interest only payments.

Once a loan is subject to forbearance or is renegotiated, the loan continues to be reported as such, until the loan matures or is otherwise derecognised.

For Retail Clients, all loans subject to forbearance (in addition to other renegotiated loans) are managed within a separate portfolio. If such loans subsequently become past due, charge-off and IIP is accelerated to 90 days past due for unsecured loans and automobile finance or 120 days past due for secured loans. The accelerated loss rates applied to this portfolio are derived from experience with other renegotiated loans, rather than the Retail Clients portfolio as a whole, to recognise the greater degree of inherent risk.

For Corporate & Institutional, Commercial and Private Banking Clients, forbearance and other renegotiations are applied on a case-by-case basis and are not subject to business-wide programmes. In some cases, a new loan is granted as part of the restructure, in others, the contractual terms and repayment of the existing loans are changed or extended (for example, interest-only for a period).

Loans classified as subject to forbearance are managed by GSAM and are kept under close review to assess the client’s ability to adhere to the restructured repayment strategy and to identify any events that could result in a deterioration in the client’s ability to repay.

If the terms of the renegotiation are such that, where the present value of the new cash flows is lower than the present value of the original cash flows, the loan would be considered to be impaired and, at a minimum, a discount provision would be raised and shown under loans subject to forbearance. These accounts are monitored as described on page 209.

Renegotiated and forborne loans are disclosed by client segments on page 174.

Country cross-border risk (unaudited)

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

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

Assets that generate country cross-border exposure are those where the main source of repayment or security is derived from a country other than the country in which the asset is booked. These cover a wide range of products, including loans and advances, interest-bearing deposits with other banks, trade and other bills, acceptances, amounts receivable under finance leases, derivatives, certificates of deposit and other negotiable paper, investment securities and formal commitments. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency and local-currency assets funded by intra-group funding. Cross-border exposure also includes the value of commodity, aircraft and shipping assets owned by the Group that are held in a given country.

Market risk

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

The primary categories of market risk for the Group are:

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

Market risk governance

The Board approves the Group's risk tolerances for market risk. Subject to the risk tolerances set for market risk, the Group Risk Committee sets Group-level market risk limits and stress loss triggers.

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

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

VaR

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

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

We apply two VaR methodologies:

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

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

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

A small proportion of market risk generated by trading positions is not included in VaR or cannot be appropriately captured by VaR. This is recognised through a Risks-not-in-VaR (RNIV) framework, which estimates these risks and applies capital add-ons.

To assess their predictive power, VaR models are backtested against actual results.

See an analysis of VaR and backtesting results in 2015 on pages 187 to 188.

Stress testing

Losses beyond the 97.5 per cent confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations.

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

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

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The Market and Traded Credit Risk function reviews stress exposures and, where necessary, enforces reductions in overall market risk exposure. The Group Risk Committee considers the results of stress tests as part of its supervision of risk tolerance.

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

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

Market risk VaR coverage

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

VaR and stress tests are therefore applied to these non-trading book exposures (except Group Treasury, see below) in the same way as for the trading book, including available-for-sale securities. Securities classed as Loans and Receivables or Held-to-maturity are not reflected in VaR or stress tests since they are accounted for on an amortised cost basis, so market price movements have limited effect on either profit and loss or reserves.

Structural foreign exchange risks are managed by Group Treasury, as described below, and are not included within Group VaR. Otherwise, the non-trading book does not run open foreign exchange positions.

Equity risk relating to non-listed private equity and strategic investments is not included within VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee.

These are included as Level 3 assets, as disclosed in note 15 to the financial statements on pages 268 and 269

Group Treasury market risk

Group Treasury raises debt and equity capital and the proceeds are placed with ALM. Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements. This risk is measured as the impact on net interest income (NII) of an unexpected and instantaneous adverse parallel shift in rates and is monitored over a rolling one-year time horizon. Further details are disclosed on page 190 of the Risk profile section.

These risks are monitored and controlled by the Group's Capital Management Committee.

Group Treasury also manages the structural foreign exchange risk that arises from non-US dollar currency net investments in branches and subsidiaries. The impact of foreign exchange movements is taken to reserves which form part of the capital base. The effect of exchange rate movements on the capital ratio is partially mitigated by the fact that both the value of these investments and the risk-weighted assets in those currencies follow broadly the same exchange rate movements. With the approval of the Capital Management Committee, Group Treasury may hedge the net investments if it is anticipated that the capital ratio will be materially affected by exchange rate movements. Changes in the valuation of these positions are taken to reserves. Further details are disclosed on page 190 of the Risk profile section.

Derivatives

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

Our derivative transactions are principally in instruments where the mark-to-market values are readily determinable by reference to independent prices and valuation quotes. See details of the Group's derivative financial instruments in note 17 on pages 283 and 284.

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

Derivatives are carried at fair value and shown in the balance sheet as separate totals of assets and liabilities when there is no legal right to offset and no intent to settle on a net basis or realise the assets and liabilities simultaneously. Recognition of fair value gains and losses depends on whether the derivatives are classified as trading or held for hedging purposes.

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to financial institutions and corporate clients. This is covered in more detail in the Credit risk section on pages 207 to 209.

Hedging

The Group use futures, forwards, swaps and options primarily to mitigate interest and foreign exchange risk arising from in-country exposures. See details of the Group's derivatives held for hedging in note 17 on page 283.

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

We may also, under certain individually approved circumstances, enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment, and which are accordingly marked-to-market through the profit and loss account, thereby creating an accounting asymmetry. These are entered into primarily to ensure that residual interest rate and foreign exchange risks are being effectively managed. Current economic hedge relationships include hedging the foreign exchange risk on certain debt issuances and on other monetary instruments held in currencies other than dollars.

Liquidity risk

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

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

The Board establishes tolerances for liquidity risk, which are cascaded to the business for day-to-day management. The Group Asset and Liability Committee approves liquidity risk policies and is responsible for setting or delegating authority to set liquidity limits, within the Board's tolerance. The Liquidity Management Committee currently receives authority from the Group Asset and Liability Committee and is responsible for proposing liquidity risk policies. Liquidity in each country is managed by the country Asset and Liability Committee, supported by the ALM function. Countries operate within predefined liquidity limits and in compliance with Group liquidity policies and practices, as well as local regulatory requirements. Market and Traded Credit Risk and Group Treasury propose and oversee the implementation of policies and other controls relating to liquidity risks.

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

Customer assets are, as far as possible, funded in the same currency. Where mismatches arise, they are controlled by limits in each country on the amount of foreign currency that can be swapped to local currency and vice versa. Such limits control the risk that obligations could not be met in the required currency in the event that access to foreign exchange markets becomes restricted. In sizing the limits we consider a range of factors including the size and depth of local foreign exchange markets and the local regulatory environment.

Liquidity risk framework

The Board sets liquidity risk tolerance levels for liquidity stress survival horizons, short-term wholesale borrowing, minimum advances-to-deposits and liquidity coverage ratios. The Group Asset and Liability Committee may set risk appetite levels such that the Group operates within the Board's tolerance.

For stress survival horizons, the Board's tolerance reflects the Group's specific structure, which comprises a number of large presence countries that are systemically important, both to the Group and the global economy, as well as a large number of smaller presence countries whose liquidity is less material to the Group but which may be primarily at risk in a local systemic stress. The Group intends to maintain a prudent and sustainable funding and liquidity position, in all presence countries and currencies, such that it can withstand severe liquidity stress:

- Across major presence countries, the Group intends to be able to meet its payment and collateral obligations for at least 60 days in a combined name-specific and market-wide liquidity stress, without recourse to extraordinary central bank support
- In smaller presence countries, each operating entity should be able to meet its payment and collateral obligations for at least 60 days in the event of a systemic market-wide stress in that country, without implicit reliance on Group support

In accordance with Group Asset and Liability Committee policies, there are further limits set for each country on:

- The local and foreign currency cash flow gaps
- The level of borrowing from other countries within the Group, to contain the risk of contagion from one country to another
- Commitments, to ensure there are sufficient funds available in the event of drawdown
- The amount of assets that may be funded from other currencies
- The amount of medium-term assets that have to be funded by medium-term funding

All limits are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a regular basis by Market and Traded Credit Risk and Group Treasury. Limit excesses are escalated and approved under a delegated authority structure and reported to the country Asset and Liability Committee. Excesses are also reported monthly to the Liquidity Management Committee and if necessary to the Group Asset and Liability Committee and the Board Risk Committee.

We have significant levels of marketable securities, including government securities that can be monetised or pledged as collateral in the event of a liquidity stress. In addition, a Funding Crisis Response and Recovery Plan (FCRRP), reviewed and approved annually, is maintained by Group Treasury. The FCRRP also includes a broad set of Early Warning Indicators (EWIs), an escalation framework and a set of management actions that could be effectively implemented by the appropriate level of senior management in the event of a liquidity stress. A similar plan is maintained within each major country.

Stress testing

In addition to monitoring the Board's stress survival horizon metrics described above, the Group conducts a range of liquidity-related stress analyses, both for internal and regulatory purposes.

Internally, at country level a more granular analysis of survival horizons considers potential currency mismatches between stress outflows and inflows. Particular focus is paid to mismatches in less liquid currencies and those that are not freely convertible. This is overseen by country Asset and Liability Committees. Group-wide stress tests also consider the portability of liquidity surpluses between major presence countries, taking account of regulatory restrictions on cross-border movement of funds and intra-group exposures. A severe eight-day name-specific stress is also run routinely, as well as a 30-day stress that is run in major presence countries to test resilience to market-wide disruption, such as in interbank money or foreign exchange markets. Liquidity risks are also considered as part of the Group's wider periodic scenario analysis, including reverse stress testing. The Group also runs a range of stress tests to meet regulatory requirements, as defined by the PRA and local regulators.

Country stress testing considers potential currency mismatches between outflows and inflows. Particular focus is paid to mismatches in less liquid currencies and those that are not freely convertible. Mismatches are controlled by management action triggers set by Market and Traded Credit Risk. Group-wide stress tests also consider the portability of liquidity surpluses between Group entities, taking account of regulatory restrictions on large and intra-group exposures.

Standard Chartered Bank's credit ratings as at December 2015 were A+ with negative outlook (Fitch), A+ (S&P) and Aa2 (under review: possible downgrade) (Moody's). A downgrade in credit rating would increase derivative collateral requirements and outflows due to rating-linked liabilities. One possible outcome of a two-notch downgrade could be an estimated outflow of $1.7 billion (unaudited).

Operational risk (unaudited)

We define operational risk as the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks.

As operational risk arises from all activities carried out within the Group, the potential for operational risk events occurring across a large and complex international organisation is a constant challenge. To address this we aim to achieve 'industrial strength' process and control design standards for all activities, and benchmark practices against peers, other industries and regulatory requirements.

Operational risk governance

The Group Risk Committee provides oversight of operational risk management across the Group. It is supported by the Global Business Risk Committee, the Group Functions Operational Risk Committee, the Group Financial Crime Risk Committee and the Group Information Management Governance Committee, which oversee operational risk arising from the global businesses and Group functions, financial crime compliance and information management respectively. These risk committees receive regular reports on the Group's operational risk profile.

Internal organisation – Three Lines of Defence

To implement the operational risk management approach in the Group, the Group applies the Three Lines of Defence, as set out in the Risk Management Framework and explained on page 205.

The first line of defence has responsibility for identifying and managing all risks within first line processes as an integral part of first line responsibilities.

Group Operational Risk as second line of defence is responsible for setting and maintaining the standards for the operational risk management approach. In addition, the second line of defence comprises both second line risk control owners of each operational risk sub-type and second line Group policy owners.

The third line of defence is the independent assurance provided by the Group Internal Audit function.

Risk tolerance approach

Operational risk is managed within tolerances aligned to achieve the Risk Tolerance Statement approved by the Board. The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.

In order to comply with this statement, the operational risk management approach includes the following requirements:

- The Group will systematically identify top risks and emerging risks with the involvement of senior management and the Board, and define the appropriate treatment which may include business restrictions
- All processes will be mapped and owned with appropriate key control standards defined to mitigate risks
- The Group will not miss any opportunity to learn lessons from internal or external events and will implement relevant mitigation actions
- The Group will systematically test internal capital adequacy through scenario analysis and stress testing

Risk classification

Operational risk sub-types are the different ways that we may be operationally exposed to loss. Each risk sub-type is a grouping of potential losses that are material, and which may arise in different activities or areas of the Group.

The Group uses operational risk sub-types principally as an aid to ensure comprehensive and consistent identification of operational risks, wherever they may arise. Operational risk sub-types are listed in the table on the following page.

Operational risk sub-types	
External rules and regulations	Potential for actual or opportunity loss due to failure to comply with laws or regulations, or as a result of changes in laws or regulations or in their interpretation or application
Liability	Potential for loss or sanction due to a legal claim against any part of the Group or individuals within the Group
Legal enforceability	Potential for loss due to failure to protect legally the Group's interests or from difficulty in enforcing the Group's rights
Damage or loss of physical assets	Potential for loss or damage or denial of use of property or other physical assets
Safety and security	Potential for loss or damage relating to health and safety or physical security
Internal fraud or dishonesty	Potential for loss due to action by staff that is intended to defraud, or to circumvent the law or company policy
External fraud	Potential for loss due to criminal acts by external parties such as fraud or theft of financial assets
Information security	Potential for loss due to unauthorised access, use, disclosure, disruption, modification or destruction of information
Processing failure	Potential for loss due to failure of an established process or a process design weakness
Model	Potential for loss due to a significant discrepancy between the output of credit and market risk measurement models and actual experience Potential for regulatory breach due to a significant discrepancy between the output of financial crime client risk scoring and financial crime transaction monitoring models and actual experience

Operational risk management approach

The Group defines and maintains a complete process universe for all client segments, products and functions processes.

The process universe is the complete list of end-to-end processes that collectively describe the activities of the Group and is the reference for the application of the operational risk management approach.

This represents all Group activities, the owners of these activities, and the risk and control standards that are defined by risk and process owners. It also serves as the foundation for policy delivery, as well as risk identification, measurement, management and reporting. The operational risk management approach requires:

- Industrial strength process design standards are applied to critical processes
- Control tolerance standards are set for each control for quantity, materiality and timeliness of detection and rectification of defects
- All processes are standardised except for regulatory or legitimate system exceptions
- Gross and residual risk assessments by first line and approved by second line
- Risk and control monitoring
- Prompt execution of risk treatment actions to closure

The operational risk management approach has been installed for prioritised risks across all countries as part of the Operational Risk Framework Implementation Programme.

Stress testing

As part of our operational risk management approach, we conduct stress testing by scenario analysis for the Group.

In 2015, we participated in the Bank of England stress test and the annual Internal Capital Adequacy Assessment Process. The exercises included judgemental overlays for the potential risk of low-frequency, high-severity events occurring during stress conditions.

In addition to macroeconomic scenarios, the Operational risk scenario analysis programme reviews concentration of risks across the Group's processes and prioritises low-frequency high-severity scenarios to assess the potential impact that may exceed the Group's risk tolerances. During 2015, the scenario analysis programme conducted 11 scenarios. These scenarios included anti-money laundering, sanctions, information and cyber security and change management.

Conduct

Conduct of business, or conduct, is a term that is used in a broad number of ways across the financial services industry. At its broadest, good conduct is the creation of an appropriate business strategy aligned to our stated risk tolerance and the execution of business in accordance with both. More narrowly, it refers to specific regulations designed to achieve fair outcomes for customers and the effective operation of markets.

Good conduct is evidenced through disciplined adherence to our overall framework of systems and controls outlined in the Risk Management Framework and the standards of individual behaviour set out in the Code of Conduct (the 'Code').

Specifically for operational risk:

- External rules and regulations classifications defined in the Operational Risk Framework include specific categories of regulation designed to achieve fair outcomes for clients (client conduct) and the effective operation of markets (market conduct). This ensures that each category of regulation is properly classified and aligned to the Group's systems and control structures. Risk control owners and Group policy owners are responsible for defining the Group's minimum standards and controls in respect of each category. The Group's policies and standards may frequently exceed the minimum requirements or expectations of regulators
- Conduct is considered in the Group's top risks (see Risk profile on page 198). The Group aims to prevent the risks of failure to deliver the conduct of business standards expected by the Group's clients, investors and markets in which we operate. Many of the top risks can be driven by poor conduct so the Group is focused on its control standards around these risks

Reputational risk (unaudited)

Reputational risk is the potential for damage to the Group's franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Group or its actions. Failures in behaviours or systems may affect stakeholders' perceptions of the Group's commitment to its Here for good brand promise. Reputational risk could arise from the failure of the Group to effectively mitigate the risks in its businesses, including one or more of country, credit, liquidity, market, regulatory, legal, strategic or other operational risk. Damage to the Group's reputation could cause existing clients to reduce or cease to do business with the Group and prospective clients to be reluctant to do business with the Group. All employees are responsible for day-to-day identification and management of reputational risk. These responsibilities form part of the Code and are further embedded through values-based performance assessments. Risk control owners must identify material reputational risks arising from any business activity or transaction that they control and ensure that these are escalated and controlled in accordance with the Group's Reputational Risk Policy and applicable procedures.

Our reputational risk framework covers two areas. Reputational risk management refers to proactively avoiding or mitigating the potential damage that might result from a future reputational risk event (ex ante). Reputational issues management and crisis communication refers to measures to limit damage from a reputational risk event that has already occurred (ex post).

Reputational risk may also arise from a failure to comply with environmental and social standards in our relationship with clients and in our financing decisions. Environmental risk is the potential for material harm or degradation to the natural environment, while social risk is the potential to cause material harm to individuals or communities. Environmental and social risks associated with clients are a key area of risk for the Group and we have continued to develop and enhance our approach to managing such risks since 1997.

Reflecting the differing regulatory and legislative frameworks applicable to clients in the Group's markets, we have global sector-specific environmental and social (E&S) standards as set out in our 17 sectoral and three thematic position statements. We apply these in the provision of financial services to clients who operate in sectors presenting specific risks, and for key issues. These are underpinned by the Equator Principles and the IFC Performance Standards.

The Group recognises that stakeholder expectations of our environmental and social risk management will change over time. As such we seek to explain our approach and standards via our position statements, and to ensure they remain appropriate through active monitoring.

We take our position statement commitments seriously. To ensure we deliver our commitments, we embed these requirements through our core banking processes. We have mechanisms in our origination and credit processes to identify and assess environmental and social risks in accordance with our standards. We have a dedicated Environmental and Social Risk Management (ESRM) team that reviews clients and proposed transactions that present specific risks.

For more information on our environmental and social risk assessment please refer to on.sc.com/eandsrisk

In 2015, the ESRM team reviewed over 480 client relationships and transactions across a range of Position Statement sectors. For all risks identified, we seek to develop effective mitigating measures. Where this is not possible, transactions have been, and will continue to be, turned down. In 2015, we trained more than 1,700 staff on our requirements and processes.

We believe in working collaboratively to achieve sustainability goals. This includes working with clients, other financial institutions and industry bodies to promote, develop and encourage leading E&S standards. In 2015, we were pleased to join the Banking Environment Initiative and continued our work as a member of the Equator Principles Steering Committee.

The Group Risk Committee provides Group-wide oversight on reputational risk, sets policy and monitors material risks. The Group Head of Corporate Affairs is the overall risk control owner for reputational risk. The Brand, Values and Conduct and Board Risk Committees provide additional oversight of reputational risk on behalf of the Board. At the business level, the Business Responsibility and Reputational Risk Committee has responsibility for managing reputational risk.

At country level, the Country Head of Corporate Affairs is the risk control owner of reputational risk. It is his or her responsibility to protect our reputation in that market with the support of the Country Management Group. The Head of Corporate Affairs and Country Chief Executive Officer must actively:

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

Pension risk (unaudited)

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes. Standard Chartered offers defined contribution pension plans for new hires in most locations, and only maintains defined benefit plans where required by law, contract or for closed groups of long-serving employees. The Group monitors and manages both the pension financial risks stemming from its legacy defined benefit schemes and the operational and reputational risks of all its pension arrangements. In doing this the Group has primary regard to its capital position, and the relative costs and benefits of reducing or removing its risk exposure.

The Group's primary pension risk measures are updates, at least quarterly, of the accounting balance sheet position, the 1-in-200 year stress test required annually by the PRA, and the funding position of the UK Fund (over 60 per cent of the Group's pension liabilities). The Group mitigates pension risk via a Group Pension Risk Policy which requires all new plans to be defined contribution where possible, and mandates standards around investments, benefit changes, funding, documentation, actuarial valuations, accounts and auditing. Adherence to these standards is assured by an annual governance review.

The Group Pension Risk Committee is the body responsible for governance of pension risk and it receives its authority from the Group Risk Committee. From 2016, the risk control owner of pension risk will assume these responsibilities directly.

Strategic risk (unaudited)

Strategic risk is the potential for opportunity loss from failure to optimise the earnings potential of the Group's franchise. Opportunity losses could arise because a business decision does not deliver the expected profit and returns, or because a decision is not taken, which leads to lost opportunities.

Strategic risk can give rise to differences in the Group's earnings as compared with market expectations and competitor performance. This can significantly impact the Group's share price. If strategic risks materialise, we have the ability to take mitigating actions by adapting execution of the strategy and/or managing the Group's capital position.

As the ultimate governance body for the Group, the Board challenges the Group's strategy and highlights potential underlying risks. The Global Head of Strategy is the risk control owner for strategic risk. Given that strategic risk primarily arises from the failure to make well made and timely decisions, strategic risk is managed where decisions are made. The Regional, Country and Segment CEOs and the Heads of Functions are responsible for the identification of strategic risks.

Group level strategic risks are systematically reviewed during the Group's annual strategy review process and follow-up 'deep dives' throughout the year on topics agreed with the Board. A major Group level strategic review was undertaken in 2015. Execution of the strategic plan is managed through the Group's performance management process.

Capital

Capital review

The Prudential Regulation Authority (PRA) is continuing to implement CRD IV. Some areas of CRD IV remain subject to further consultation or await promulgation of the relevant European Banking Authority Technical Standards and final UK implementing rules. Accordingly, the position presented here is based on the Group's current understanding of the rules which may be subject to change.

Capital summary

Our approach to capital management is focused on maintaining the Group's capital and leverage position in support of our clients, the business strategy and to meet regulatory requirements including stress testing and future loss absorption requirements. The Group balance sheet is strong, highly liquid and with low leverage.

Capital, leverage and RWA	2015 %	2014 %
CET1 end point[1]	**12.6**	10.7
Total capital	**19.5**	16.7
Leverage	**5.5**	4.5
RWA ($million)	**302,925**	341,648

1. On 1 January 2015 the transitional arrangements for excluding available-for-sale gains from regulatory capital ended. Therefore, as at 1 January 2015, the Common Equity Tier 1 ratio increased from 10.5 to 10.7 per cent

The Group's Common Equity Tier 1 (CET1) ratio increased from 10.7 per cent to 12.6 per cent (on an end-point basis) at the end of December 2015, as a result of the $5 billion rights issue completed in December 2015 and a series of management actions taken in 2015, including the more efficient management of risk-weighted assets (RWA), de-risking and disposals. In addition, the Group announced in November 2015 that it would not be paying a final dividend for 2015. The combination of these actions put the Group's CET1 ratio within the Group's revised CET1 target range of 12-13 per cent, announced as part of its Strategic Review.

The Group's CET1 position is well ahead of the current expected minimum for 2019 of 9.1 per cent, including the Pillar 1 and 2A minimum requirements and capital buffers. The Group will continue to manage its capital position in the context of current and evolving CET1 requirements as they apply to the Group.

In April 2015, the Group issued $2 billion of Additional Tier 1 (AT1) capital, which improved the Group's leverage ratio and total capital position.

The Strategic Review highlighted over $100 billion – approximately one-third – of RWA for restructuring. Over the course of 2015, RWA reduced by around $39 billion, or 11 per cent, mainly due to management actions including more selective origination, de-risking, disposals and efficiencies.

The Group's total capital position was improved by the $5 billion rights issue and issuance of AT1 securities. The Group continued its established programme of term senior unsecured issuance from its holding company which, on its current understanding of the rules, positions the Group well for the introduction of the minimum requirement for own funds and eligible liabilities (MREL). As at December 2015, the Group had an estimated 24 per cent of RWA in MREL eligible instruments.

Capital movements

The main movements in capital between 1 January 2015 and 31 December 2015 were:

- The CET1 capital ratio increased by around 190 basis points (bps) to 12.6 per cent, due to an increase in CET1 capital as described below and a decrease in RWA from asset reductions, business disposals and RWA efficiencies
- CET1 capital increased mainly due to the rights issue proceeds and a reduction in excess expected loss. This was offset by the loss for the period, foreign currency translation and an increase in the prudential valuation adjustment
- AT1 capital increased due to the issuance of $2 billion of AT1 securities in April 2015
- Tier 2 capital decreased mainly due to the regulatory amortisation of Tier 2 capital, foreign currency translation and the phasing of the derecognition of Tier 2 minority interest

Reflecting the above movements, the Group's total capital ratio increased to 19.5 per cent as at 31 December 2015.

Capital ratios

	2015 %	2014 %
CET1 capital	**12.6**	10.5
Tier 1 capital	**14.1**	11.4
Total capital	**19.5**	16.7

CRD IV capital base

	2015 $million	2014 $million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	**5,596**	5,225
Of which: share premium accounts	**3,957**	3,989
Retained earnings[1]	**29,128**	27,394
Accumulated other comprehensive income (and other reserves)	**12,180**	9,690
Non-controlling interests (amount allowed in consolidated CET1)	**582**	583
Independently reviewed interim and year-end (losses)/profits[2]	**(2,194)**	2,640
Foreseeable dividends net of scrip	**(115)**	(1,160)
CET1 capital before regulatory adjustments	**45,177**	44,372
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	**(564)**	(196)
Intangible assets (net of related tax liability)	**(4,820)**	(5,449)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(212)**	(180)
Fair value reserves related to gains or losses on cash flow hedges	**38**	55
Deduction of amounts resulting from the calculation of excess expected loss	**(569)**	(1,719)
Gains or losses on liabilities at fair value resulting from changes in own credit risk	**(630)**	(167)
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	**(34)**	(9)
Defined-benefit pension fund assets	**(4)**	(13)
Exposure amounts which could qualify for risk weighting of 1250%	**(200)**	(199)
Of which: securitisation positions	**(168)**	(177)
Of which: free deliveries	**(32)**	(22)
Regulatory adjustments relating to unrealised gains	**–**	(481)
Other	**–**	(1)
Total regulatory adjustments to CET1	**(6,995)**	(8,359)
CET1 capital	**38,182**	36,013
Additional Tier 1 capital (AT1) instruments	**4,611**	2,786
AT1 regulatory adjustments	**(20)**	–
Tier 1 capital	**42,773**	38,799
Tier 2 capital instruments	**16,278**	18,304
Tier 2 regulatory adjustments	**(30)**	(4)
Tier 2 capital	**16,248**	18,300
Total capital	**59,021**	57,099
Total risk-weighted assets[3]	**302,925**	341,648

1. Retained earnings include the effect of regulatory consolidation adjustments
2. Independently reviewed year-end (losses)/profits for CRD IV are in accordance with the regulatory consolidation
3. The risk-weighted assets are not audited

Movement in total capital

	2015 $million	2014 $million
CET1 as at 1 January	**36,013**	35,961
Ordinary shares issued in the year	**5,053**	11
(Loss)/profit for the year	**(2,194)**	2,640
Foreseeable dividends net of scrip deducted from CET1	**(115)**	(1,160)
Dividend net of scrip[1]	**240**	(1,451)
Goodwill and other intangible assets	**629**	724
Foreign currency translation	**(1,878)**	(1,042)
Unrealised gains on available-for-sale assets	**481**	65
Eligible other comprehensive income	**(298)**	254
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(32)**	93
Excess expected loss	**1,150**	19
Additional value adjustments (prudential valuation adjustments)	**(368)**	(16)
Own credit gains	**(463)**	(82)
Other	**(36)**	(3)
CET1 as at 31 December	**38,182**	36,013
AT1 at 1 January	**2,786**	4,458
Issuances net of redemptions	**1,987**	(1,800)
Other	**(182)**	128
AT1 as at 31 December	**4,591**	2,786
Tier 2 capital as at 1 January	**18,300**	15,950
Regulatory amortisation	**(683)**	(701)
Issuances	**–**	3,867
Foreign currency translation	**(764)**	(701)
Tier 2 ineligible minority interest	**(592)**	114
Other	**(13)**	(229)
Tier 2 capital as at 31 December	**16,248**	18,300
Total capital as at 31 December	**59,021**	57,099

1. This represents the difference between expected cash distribution from dividend and actual cash distribution

Movements in risk-weighted assets

RWA decreased by $38.7 billion, or 11.3 per cent, from 31 December 2014. This was mainly due to a $40.8 billion decrease in credit risk RWA, which was partially offset by an increase in market risk RWA of $1.6 billion and operational risk RWA of $0.5 billion.

Corporate & Institutional and Commercial Clients

Credit risk decreased by $35.3 billion as a result of the following:

- $9.0 billion reduction due to lower volumes mainly in Transaction Banking, Lending and Principal Finance assets
- $5.3 billion reduction due to increased provisions, partly offset by credit migration and fair value adjustments for GSAM clients, primarily in the Europe and South Asia regions
- $17.4 billion of RWA efficiencies mainly due to $4.1 billion of Financial Market RWA saves achieved through trade compression actions and increased Credit Support Annex (CSA) coverage and an $8.8 billion reduction due to loan sales and exiting of low-return relationships
- $1.1 billion reduction as a result of Principal Finance disposals
- $5.8 billion reduction from foreign currency translation due to depreciation of currencies in key markets, including Indonesia, Europe, India and China

This was partly offset by an increase of $3.4 billion from model, methodology and policy changes, mainly driven by the inclusion of non-European Union (EU) institutions in the calculation of risk-weighted assets arising from asset value correlation.

Retail Clients

Credit RWA decreased by $6.1 billion mainly as a result of the following:

- $1.6 billion reduction from the business/portfolio exits such as the Consumer Finance business in Korea, Hong Kong, China, Lebanon and UAE Business Clients
- $0.9 billion decrease in credit RWA as a result of the lagged impact of de-risking and reshaping the portfolio, with a reduction in unsecured lending offset by secured lending growth
- $2.8 billion reduction from foreign currency translation due to depreciation of currencies in key markets including Malaysia, Korea, Singapore, China, Taiwan and India

Private Banking Clients

Private Banking RWA increased by $0.6 billion, primarily due to the impact of collateral eligibility policy changes, methodology and portfolio composition.

Market risk

Market risk RWA increased by $1.6 billion, or 8.0 per cent, to $21.9 billion from 31 December 2014, due mainly to a change in the treatment of Standard Chartered Bank (China) Limited, where market risk capital requirements are now calculated on a standalone basis, adding $1.3 billion to Group RWA.

Operational risk

RWA increased by $0.5 billion to $35.6 billion, due to the change in income over a rolling three-year time horizon with 2014 income replacing 2011. The $1 billion decrease in Commercial Clients and corresponding increase in Retail Clients since December 2014 is due to a rebasing of the analysis of income across the segments.

Risk-weighted assets by business

	2015			
	Credit risk $million	**Operational risk $million**	**Market risk $million**	**Total risk $million**
Corporate & Institutional Clients	**169,979**	**22,586**	**21,913**	**214,478**
Commercial Clients	**18,553**	**1,759**	**–**	**20,312**
Private Banking Clients	**7,101**	**1,015**	**–**	**8,116**
Retail Clients	**49,769**	**10,250**	**–**	**60,019**
Total risk-weighted assets	**245,402**	**35,610**	**21,913**	**302,925**

	2014			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate & Institutional Clients	201,978	22,322	20,295	244,595
Commercial Clients	21,874	2,778	–	24,652
Private Banking Clients	6,507	902	–	7,409
Retail Clients	55,887	9,105	–	64,992
Total risk-weighted assets	286,246	35,107	20,295	341,648

Risk-weighted assets by geographic region

	2015 $million	2014 $million
Greater China	**57,536**	66,585
North East Asia	**19,752**	23,990
South Asia	**23,384**	26,522
ASEAN	**70,406**	82,603
MENAP	**27,022**	29,775
Africa	**19,156**	20,289
Americas	**12,784**	13,692
Europe	**82,921**	89,592
	312,961	353,048
Netting balances[1]	**(10,036)**	(11,400)
Total risk-weighted assets	**302,925**	341,648

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

Movement in risk-weighted assets

	Credit risk							
	Corporate & Institutional Clients $million	Commercial Clients $million	Private Banking Clients $million	Retail Clients $million	Total $million	Operational risk $million	Market risk $million	Total risk $million
As at 1 January 2014	193,968	22,162	4,829	60,297	281,256	33,289	16,751	331,296
Assets growth/(decline)	2,614	(596)	379	(929)	1,468	–	–	1,468
Credit migration	6,780	1,491	(25)	(1,846)	6,400	–	–	6,400
Risk-weighted assets efficiencies	(10,393)	(1,656)	479	(596)	(12,166)	–	–	(12,166)
Model, methodology and policy changes	12,574	863	956	502	14,895	–	–	14,895
Acquisitions and disposals	–	–	–	331	331	–	–	331
Foreign currency translation	(3,565)	(390)	(111)	(1,872)	(5,938)	–	–	(5,938)
Non-credit risk movements	–	–	–	–	–	1,818	3,544	5,362
As at 31 December 2014	**201,978**	**21,874**	**6,507**	**55,887**	**286,246**	**35,107**	**20,295**	**341,648**
Assets (decline)/growth	**(7,527)**	**(1,508)**	**383**	**(904)**	**(9,556)**	**–**	**–**	**(9,556)**
Credit migration	**(4,332)**	**(1,005)**	**–**	**22**	**(5,315)**	**–**	**–**	**(5,315)**
Risk-weighted assets efficiencies	**(17,429)**	**–**	**138**	**–**	**(17,291)**	**–**	**–**	**(17,291)**
Model, methodology and policy changes	**3,533**	**(133)**	**266**	**(843)**	**2,823**	**–**	**1,300**	**4,123**
Acquisitions and disposals	**(1,108)**	**–**	**–**	**(1,615)**	**(2,723)**	**–**	**–**	**(2,723)**
Foreign currency translation	**(5,136)**	**(675)**	**(193)**	**(2,778)**	**(8,782)**	**–**	**–**	**(8,782)**
Non-credit risk movements	**–**	**–**	**–**	**–**	**–**	**503**	**318**	**821**
As at 31 December 2015	**169,979**	**18,553**	**7,101**	**49,769**	**245,402**	**35,610**	**21,913**	**302,925**

Leverage ratio

Final adjustments to the definition and calibration of the leverage ratio in the EU will be made during the first half of 2017, with a view to migrating the leverage ratio to a binding Pillar 1 requirement by 1 January 2018.

In the UK, the Financial Policy Committee (FPC) has finalised the UK leverage ratio framework. Based on this, UK banks are subject to a minimum leverage ratio of 3 per cent, together with supplementary leverage ratio buffers set at 35 per cent of the corresponding global systemically important institutions (G-SIIs) and countercyclical buffers, as those buffers are applicable to individual banks and as phased in. As a result, the Group's current expected leverage ratio requirement for 2019 will be 3.37 per cent, which comprises: (i) the minimum 3 per cent; (ii) a 0.35 per cent G-SII leverage ratio buffer; and (iii) a 0.02 per cent countercyclical leverage ratio buffer, assuming existing countercyclical capital buffer rates and a constant proportion of exposures to the relevant jurisdictions.

The basis of calculating the leverage ratio uses the end-point Capital Requirements Regulation (CRR) definition of Tier 1 for the numerator and the CRR definition of leverage exposure as the denominator.

The Group's current leverage ratio of 5.5 per cent is above the current minimum requirement. The increase of 1 percentage point in the leverage ratio since December 2014 is the result of the increase in Tier 1 capital from the 2015 rights issue and AT1 issuance, and the decrease in the exposure measure.

	2015 $million	2014 $million
Tier 1 capital (transitional)	**42,773**	38,799
Additional Tier 1 capital subject to phase out	**(2,624)**	(2,786)
Regulatory adjustments relating to unrealised gains	**–**	481
Tier 1 capital (end point)	**40,149**	36,494
Derivative financial instruments	**63,143**	65,834
Derivative cash collateral	**13,430**	10,311
Securities financing transactions	**36,765**	29,856
Loans and advances and other assets	**527,145**	619,913
Total on-balance sheet assets	**640,483**	725,914
Regulatory consolidation adjustments	**12,826**	15,008
Derivatives adjustments		
Derivatives netting	**(38,766)**	(43,735)
Adjustments to cash collateral	**(23,252)**	(17,316)
Net written credit protection	**8,922**	7,885
Potential future exposure on derivatives	**58,379**	46,254
Total derivatives adjustments	**5,283**	(6,912)
Counterparty risk leverage exposure measure for SFTs	**11,299**	9,963
Regulatory deductions and other adjustments	**(6,331)**	(7,701)
Off-balance sheet items	**65,660**	67,042
Total leverage exposure (end point)	**729,220**	803,314
Leverage ratio (end point)	**5.5%**	4.5%

Advanced internal ratings-based models

Since 1 January 2008, the Group has been using the internal ratings-based (IRB) approach for the calculation of credit risk capital requirements with the approval of our relevant regulators. For a market risk Internal Model Approach (IMA), where IMA permission has been granted by our relevant regulators, we use value at risk (VaR) 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 as specified by the relevant regulator. We apply the standardised approach for determining the capital requirements for operational risk.

The PRA has 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 based on the foundation IRB (FIRB) approach. Such changes are likely to result in an increase in the RWA for these exposures, with the ultimate impact dependent on PRA approval of the revisions to the relevant models.

In December 2014, the Basel Committee on Banking Supervision (BCBS) released two consultative documents (CD306 and CD307) on: (i) the design of a capital floor framework based on standardised approaches for credit, market and operational risk; and (ii) revisions to the standardised approach for credit risk. In December 2015, the BCBS released a second consultation on the revisions to the standardised approaches for credit risk, significantly modifying the initial proposal following industry feedback. This consultation will be complemented by a Quantitative Impact Study in the first half of 2016.

The proposed capital floor framework will be based on the finalised versions of the standardised approaches, and is expected to replace the existing transitional capital floor based on the Basel I framework. The calibration of the floor is expected to be completed in the second half of 2016 alongside the BCBS's work on finalising the revised standardised approaches to credit risk, market risk and operational risk. Such changes could result in an increase in the RWA calculated by such approaches, but the eventual impact will depend on the final outcome of the consultation process and the calibration of the capital floor. Regulators have expressed the expectation that the changes would not significantly add to system-wide capital requirements.

The Group actively participates in the consultation process. The BCBS intends to publish the final standards, including its calibration and implementation arrangements, at the end of 2016. The extent to which the EU and/or the PRA will adopt the BCBS proposals is unknown.

CET1 requirements

The Group's capital requirement may be subject to change over time. Based on the Group's understanding of the rules, its current expected CET1 requirement for 2019 is 9.1 per cent, comprising:

- A minimum CET1 requirement of 4.5 per cent from 1 January 2015
- A Pillar 2A CET1 requirement of around 1 per cent (subject to ongoing PRA review)
- A capital conservation buffer of 2.5 per cent by 1 January 2019
- A G-SII buffer of 1 per cent by 1 January 2019
- A countercyclical buffer of around 0.1 per cent by January 2016

Any countercyclical capital buffer applied to the Group would increase the Group's minimum CET1 requirement. The Group's countercyclical capital buffer requirement will be determined by applying various country-specific countercyclical buffer rates to the Group's qualifying credit exposures in the relevant country (based on the jurisdiction of the obligor) on a weighted average basis.

The Hong Kong Monetary Authority (HKMA) announced a Hong Kong countercyclical capital buffer rate of 0.625 per cent applied from January 2016. In the UK, the FPC noted that the PRA would reciprocate the HKMA's countercyclical buffer rate of 0.625 per cent on Hong Kong exposures. This results in an estimated 7 bps countercyclical capital buffer from January 2016, assuming no change in the countercyclical capital buffer rate in Hong Kong and a constant proportion of Hong Kong exposures in the Group.

The Group also expects to continue to operate with a prudent management buffer above the minimum capital requirement. The UK authorities have yet to finalise the rules relating to systemic risk buffers, the PRA buffer assessment and additional sectoral capital requirements.

Pillar 2

Pillar 2A captures risks not addressed adequately by Pillar 1 capital requirements. These risks include (but are not limited to): pension obligation risk, interest rate risk in the non-trading book, credit concentration risk and operational risk. From 1 January 2015, UK banks were required to hold at least 56 per cent of their Pillar 2A buffers in CET1 and at least 75 per cent in Tier 1.

The Group's current Pillar 2A guidance is equivalent to 172 bps of RWA, as at 31 December 2015, of which at least 97 bps must be held in CET1. The Group's Pillar 2A guidance is expected to vary over time.

Pillar 2B currently comprises the capital planning buffer (CPB), which ensures the Group remains well-capitalised during periods of stress. From 2016, the CPB will transition to a PRA buffer. When setting the PRA buffer, the Group understands the PRA will consider results from the Bank of England (BoE) stress test, the biennial exploratory scenario, and any bank-specific scenarios undertaken as part of the Internal Capital Adequacy Assessment Processes (ICAAPs) together, as well as other relevant information. The PRA buffer is in addition to existing CRD IV buffer requirements to the extent that the PRA does not consider they adequately address the Group's risk profile. The PRA buffer is not expected to be disclosed.

Global Systemically Important Institutions

The Group has been designated a G-SII by the Financial Stability Board (FSB) since November 2012. The Group has been categorised with a 1 per cent G-SII CET1 requirement, which will be phased in over the period from 1 January 2016 to 1 January 2019 at a rate of 0.25 per cent per year.

The Group's latest G-SII disclosure 'Standard Chartered's G-SII indicators' can be found at investors.sc.com/en/showresults.cfm?CategoryID=360

Loss Absorbing Capacity

The FSB published its final Total Loss Absorbing Capacity (TLAC) standard in November 2015, setting out principles on the loss absorbing and recapitalisation capacity of G-SIIs in resolution and a term sheet for an international standard on the characteristics and levels of TLAC for G-SIIs.

The Group will also be set a minimum MREL requirement under the EU Bank Recovery and Resolution Directive. In December 2015, the BoE published a consultation paper on its approach to setting MREL, which confirmed that the BoE intends to use its power to set MREL to implement the FSB's TLAC standard. MREL will comprise a loss absorption amount and a recapitalisation amount. For UK G-SIIs, the loss absorption amount is expected to be the firm's minimum regulatory capital requirements (Pillar 1 plus Pillar 2A, or the leverage ratio or Basel I floor if higher); the BoE intends to exclude capital buffers from its calibration of the loss absorption amount. The recapitalisation amount is expected to be the same as the loss absorption amount, but can be adjusted. The final draft EBA technical standards on MREL were published on 3 July 2015, but have not yet been adopted by the European Commission.

The PRA also published a consultation paper on the relationship between MREL and regulatory buffers. Based on this consultation, CET1 used to meet minimum MREL requirements cannot be used to meet the combined buffer.

Based on the Group's understanding, on the basis set out above, the Group's MREL requirement would be around 19.4 per cent and 23.0 per cent when including the capital conservation buffer, the G-SII buffer and the currently known countercyclical buffer.

The Group estimates that, as at 31 December 2015, it has MREL eligible instruments of approximately 24 per cent of RWA and around 10 per cent of leverage exposure. This estimate includes:

- Total regulatory capital (excluding non-equity capital issued by foreign subsidiaries)
- Senior liabilities issued by Standard Chartered PLC with at least one year remaining to maturity
- That part of subordinated debt (issued by Standard Chartered PLC or Standard Chartered Bank) with at least one year remaining to maturity, which is outside the scope of regulatory capital recognition due to: (i) amortisation over the last five years of the relevant instrument's duration; or (ii) other regulatory de-recognition

Bank of England stress tests

In 2015, the PRA completed its second concurrent stress test of the UK banking system. The focus of the 2015 BoE stress tests was external risks to the UK and, accordingly, the stress parameters were more focused on emerging markets than the UK-based test applied in 2014. Consequently, the stress parameters including GDP levels, asset price and currency movements applicable to some of the Group's markets such as China and Korea were more severe than in the 2014 stress test. The 2015 stress test was based on the balance sheet as at 31 December 2014. The BoE released results of the 2015 stress tests in December 2015. The Group's capital position remained above the threshold CET1 ratio of 4.5 per cent and met the threshold leverage ratio of 3.0 per cent in the hypothetical stress scenario with a CET1 ratio of 5.4 per cent and a 3.0 per cent leverage ratio, both after strategic management actions. The Tier 1 ratio was 5.9 per cent after strategic management action compared to the minimum Tier 1 requirement of 6.0 per cent. The PRA Board did not require the Group to submit a revised capital plan, in light of steps taken to strengthen its capital position in 2015, including an increase in the CET1 ratio to 11.5 per cent as at 30 June 2015, the issuance of $2 billion AT1 securities in April 2015 and the $5 billion rights issue. The Group believes that the results of the BoE stress tests demonstrate its resilience to a severe slowdown across the key markets in which it operates.

In October 2015, the BoE published its Approach to Stress Testing the UK Banking System, which outlined the CET1 threshold for future stress tests. Based on the requirements set out in that publication, the Group currently expects its CET1 threshold for the 2016 BoE stress test to be 5.8 per cent.

Capital management and governance

The Group seeks to maintain a strong capital base to support the development of its business and to meet regulatory capital and leverage requirements.

Strategic, business and capital plans are drawn up covering a five-year horizon and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of the different components of capital are maintained to support our strategy and business plans. Group Treasury is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

The capital plan takes the following into account:

- Current regulatory capital requirements and our assessment of future standards
- Demand for capital due to business outlook, loan impairment outlook and potential market shocks or stresses
- Available supply of capital and capital raising options

The Group formulates a capital plan with the help of internal models and other quantitative techniques. The Group uses a capital model to assess the capital demand for material risks and supports this with our internal capital adequacy assessment. Other internal models help to estimate potential future losses arising from credit, market and other risks and, using regulatory formulae, the amount of capital required to support them. In addition, the models enable the Group to gain an enhanced understanding of its risk profile, for example by identifying potential concentrations and assessing the impact of portfolio management actions. Stress testing and scenario analysis are an integral part of capital planning, and are used to ensure that the Group's internal capital adequacy assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events and how these could be mitigated through appropriate management actions. The capital modelling process is a key part of our management discipline.

A strong governance and process framework is embedded in our capital planning and assessment methodology. The key capital management committee is the Group Asset and Liability Committee (GALCO). In 2015, members of the GALCO included the Group Executive Directors and the Group Chief Risk Officer, with senior attendees from Group Treasury, Finance, Risk and the businesses. The GALCO regularly reviews the capital plan and approves capital management policies and guidelines.

Following a review in 2015, a change to the key capital management committees is being implemented in 2016. The GALCO membership will be expanded to include the Group Treasurer and the Deputy Group Chief Financial Officer, as well as other senior members from the Management Team and the businesses. The remit of the GALCO will not change significantly, however certain policies currently approved by the GALCO will fall under the remit of the Group Chief Financial Officer with input from the Group Treasurer. The responsibilities previously delegated from GALCO to the Capital Management Committee will be moved to the newly created Operational Balance Sheet Committee (OBSC), which will focus on ensuring that in executing the business strategy, the Group operates within internally approved and externally required capital, loss absorbing capacity, liquidity and leverage risk tolerances.

The Group's capital position, including its relationship to the Group's risk appetite statement, is regularly considered by the Board Risk Committee. At a country level, capital is monitored by the Country Asset and Liability Committee. Appropriate policies are in place governing the transfer of capital within the Group.

The Group's view is that, in light of the uncertain economic environment and continuing uncertainty as to the end state for banks' regulatory capital and other loss absorbency requirements, it is appropriate to remain both strongly capitalised and well above regulatory requirements.

The capital that the Group is required to hold is determined by its balance sheet, off-balance sheet, counterparty and other risk exposures. Further detail on counterparty and risk exposures is included in the Risk and capital review on page 208.

Capital in branches and subsidiaries is maintained on the basis of host regulators' requirements and the Group's assessment of capital requirements under normal and stress conditions. Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory requirements in all Group entities. These processes are designed to ensure that we have sufficient capital available to meet local regulatory capital requirements.

Standard Chartered Bank is authorised by the PRA and regulated by the Financial Conduct Authority and the PRA as Standard Chartered Bank (Solo Consolidated). The Group operates through branches and a number of significant subsidiaries including Standard Chartered Bank, Standard Chartered Bank (HK) Limited and Standard Chartered Bank Korea Limited. These subsidiaries are subject to local regulation and, therefore may be subject to different rules relating to capital and RWA requirements and the implementation and phasing of Basel III. The Group's 2015 Pillar 3 Disclosures provide further details on these subsidiaries.

Financial statements and notes

Independent Auditor's report to the members of Standard Chartered PLC only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Standard Chartered PLC (the 'Group') for the year ended 31 December 2015 set out on pages 235 to 325. In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)
- The parent company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the International Accounting Standards Regulation

Summary audit approach

Materiality Page 232	Overall Group materiality: $150 million (2014: $300 million). This was determined with reference to a benchmark of the normalised average profit or loss before tax for the past three years (representing 3.4 per cent). Details for the rationale are set out on page 233.
Scoping Page 233	• 36 components (2014: 34) in 30 countries (2014: 27) • Eight central hubs (2014: 8) which perform many financial processes • Reporting components represent 95 per cent (2014: 96 per cent) of absolute profit or loss before tax and 97 per cent (2014: 97 per cent) of total assets
Significant risks Page 228-232	• Impairment of loans and advances • Valuation of financial instruments held at fair value and related valuation adjustments • Goodwill impairment • Provision for redundancy and other restructuring costs

2. Our assessment of the risks of material misstatement

The starting point for our audit was a consideration of the inherent risks to the Group's business model and how these have been mitigated. This included understanding the strength of the Group's capital and liquidity position, the diversification of its asset and the flexibility and tenor of its balance sheet.

We assessed and challenged the inherent risks with reference to:

- International Monetary Fund (IMF) economic forecasts and commentary
- The perspectives of our in-country audit teams on their local economies, particularly the banking sector
- The views of our specialists in a number of areas including bank regulation, IT, tax and financial crime prevention
- The views of the Prudential Regulatory Authority (PRA) and regulators in other key geographies
- The results of the PRA's stress tests, published on 1 December 2015
- The Group's budgets, regular forecasts, stress testing, reporting to the Audit, Board Risk and Group Risk Committees and the many discussions we have with senior management of the Group as well as country management teams

Following the new strategic plan announced in November 2015, we evaluated its impact on our audit approach and the inherent risks that were identified at the planning stage earlier in the year.

We also considered the Group's control environment and, in particular, whether its systems were processing transactions completely and faithfully, and included appropriate controls designed to prevent fraud. Our work included testing the key controls over the processing of transactions and the key inter-system, bank and custodial reconciliations as well as trade confirmations.

Finally we considered the potential impact of regulatory investigations (see pages 201 to 203) on the Group, including considering the views of the Group's external and internal counsel.

These assessments enabled us to form a judgement on going concern and to determine the key areas of financial statement risk on which our audit should be focused. Thereafter, by looking at both broad risk themes across the Group and particular concerns in specific geographies and businesses, we were then able to calibrate our work to financial statement risk more precisely.

In arriving at our opinion, the areas which we identified as requiring the most significant judgement in assessing subjective and uncertain estimates were:

Significant risks	Areas of focus
Impairment of loans and advances Page 229	• India loan exposures[1] (Corporate & Institutional Clients' and Commercial Clients) • China loan exposures (Corporate & Institutional Clients' and Commercial Clients) • Commodities, oil and gas and related exposures (together 'Commodities and related exposures') • Increased impairment losses against Commercial exposures • Impact of the new strategic plan announced in November 2015 – impairment on liquidation portfolio[2]
Valuation of financial instruments Page 231	• Level 3 financial instruments • Change in the estimate for credit and funding valuation adjustments
Goodwill impairment Page 232	• Ongoing performance of underlying businesses • Impact of the new strategic plan announced in November 2015
Provision for redundancy and other restructuring costs Page 232	• Impact of the new strategic plan announced in November 2015

1. Exposure is defined on page 157
2. Liquidation portfolio is defined as portfolio of assets which are beyond the current risk tolerance metrics and is held for liquidation

3. Risks and response

The principal procedures we performed over these significant risks were as follows:

Impairment of loans and advances

Risk and areas of focus

The risk is that the carrying value of loans and advances to banks and customers held at amortised costs may be misstated.

Refer to the critical accounting estimates and judgements in note 1, the Audit Committee report on pages 79 to 84 and management's commentary on the disclosures of credit risk on pages 161 to 186.

Summary areas of focus

- Indian Corporate & Institutional Clients and Commercial Clients loan exposures due to the slow progress in policy reforms and increased refinancing pressures
- Chinese Corporate & Institutional Clients and Commercial Clients loan exposures due to the slowdown and rebalancing of the economy and the devaluation of renminbi (RMB)
- Commodities and related exposures as commodity and oil prices continue to decline
- Commercial Client exposures particularly due to certain exposures to RMB in China, slowdown in India and the sensitivity of the exposure to decreases in commodity prices
- Liquidation portfolio due to the judgement required to assess a price at which the Group could sell impaired loans

With regard to the Group's Retail portfolio in South Korea, which we identified as a focus area in 2014, the risk of losses has continued to reduce in 2015, partly as a result of reduced claims by customers to restructure debt accompanied by continued portfolio reduction. Accordingly, it has not been an audit focus area in 2015.

India

The Group has reduced its India exposures to $30 billion at 31 December 2015 (2014: $35 billion). The slowdown observed in 2014 has continued into 2015 and the macroeconomic backdrop continues to be challenging with slow progress in reforms which were promised by the new government in 2014, continued high indebtedness in some sectors and tightening in refinancing by local banks. Consequently, impairments have risen significantly in 2015, mainly driven by counterparties who were already stressed in 2014 (present on either early alert or in credit grades 12 to 14). In addition, there was also a change in underlying assumptions regarding prospects of recovery on available collateral due to the challenging market conditions and recent experience from recoveries on impaired accounts.

Additionally, there has also been an increase in impairments as a result of the new strategic plan announced in November 2015, whereby a small number of impaired exposures have now been identified to be in the liquidation portfolio, where additional impairment was taken based on discounting revised cash flow projections based on expected sales value.

China

China exposures amount to $50 billion (2014: $71 billion) and the Group has continued to take risk-mitigating actions in this portfolio. This has resulted in the commodities and related exposures in China reducing and exposure to banks reducing to $23.9 billion (2014: $34.5 billion). China remained a challenging market, with growth slowing to 6.9 per cent in 2015 from 7.3 per cent in 2014, continued RMB devaluation against the US dollar, and volatility in Chinese equity markets. In particular, the Group experienced increased losses within the Commercial Clients portfolio as counterparties struggled with increased levels of debt, lower commodity prices and the RMB devaluation.

Commodities and related exposures
The Group continued to take risk-mitigation actions during the year. Commodities and related exposures have reduced to $54 billion (2014: $70.6 billion), comprising $20.3 billion of traders, $19.3 billion of producers (including $9.6 billion of oil and gas producers), $5.9 billion of petroleum refineries, $7.0 billion of support activities and $1.5 billion of other corporate clients with oil and gas-related hedges.

The sustained fall in commodity prices, including oil price, has impacted a number of the Group's customers and translated into increased impairments for the year. The majority of these impairments have arisen from customers who were already stressed in 2014.

It should be noted that a fall in commodity prices may not necessarily result in a pervasive adverse impact on the entire commodities and related exposures but may impact certain pockets that are more exposed to a sustained fall in prices, for example, energy producers and some oil support services.

Commercial
The total Commercial Clients loan portfolio of $11.2 billion (2014: $14.7 billion) is a small portfolio representing 3 per cent (2014: 4 per cent) of total loans and advances. However, the impairment charge on this portfolio increased to $599 million in 2015 from $212 million in 2014 mainly due to increased impairments in India, China, Africa and Korea.

The Group has also revised its assumptions regarding recovery rates on impaired exposures downward leading to higher impairment. This is mainly based on recent recovery experience and more stressed market conditions.

Liquidation portfolio
As part of the announcement of the new strategic plan in November 2015, the Group identified $7.9 billion of loans which were outside the Group's risk tolerance levels and plan to liquidate this portfolio. This included $7.5 billion of gross non-performing which carries a provision of $3.5 billion. $968 million of this provision was taken for a small number of counterparties where the recovery was based on discounting revised cash flow projections based on expected sales values.

Our response
Overview
Corporate & Institutional Clients, Commercial Clients, Private Banking Clients and loans and advances to banks (collectively 'Larger Clients') represents 71 per cent ($233 billion) of the Group's net loan exposure, while Retail Clients represent 29 per cent ($95 billion). The Larger Client's exposure comprises larger loans that are monitored individually, based on the knowledge of each individual borrower. However, the Retail clients exposure comprises much smaller value loans to a much greater number of customers. Accordingly, loans are not monitored on an individual basis, but are grouped by product into homogeneous exposures. Exposures are then monitored through delinquency statistics, which also drive the assessment of loan loss provisions.

Procedures performed:
Our audit procedures in all in-scope components included:

- For both Larger Clients and Retail Clients, our in-country teams used their local knowledge to assess the trends in their local credit environments and considered the likely impact on the Group's exposures to focus their testing on key risk areas
- For Larger Clients, our procedures included:
  - Testing the key controls over the credit grading and monitoring process, to assess if the risk grades allocated to counterparties were appropriate and loans were appropriately identified, on a timely basis, into early alert or credit grades 12 to 14
  - Performing credit assessments of all loans with a carrying value above $40 million in credit grades 12, 13 and 14 (see pages 172 and 173) and loans above $75 million on the Group's Early Alert Report (see page 209) together with a selection of other loans selected by country teams based on local materiality levels. For these selected loans, we assessed the reasonableness of the forecast of recoverable cash flows, realisation of collateral and other possible sources of repayment. We compared key assumptions to progress against business plans and our own understanding of the relevant industries and business environments. We also compared them, where possible, to externally derived evidence such as commodity prices, business performance and real estate valuations
  - Substantive testing of a selection of credit grade one to 11 counterparties in each scoped component to test the appropriateness of the credit grade
- For Retail Clients, the impairment process is based on projecting losses based on the prior historical payment performance of each client, adjusted for current market conditions. Our procedures included:
  - Testing the accuracy of the key inputs into the models
  - For a selection of models, using our own valuation specialists to assess the appropriateness of the impairment calculation methodology and reviewing the results of the Group's validation of such models
  - Where model adjustments were made to reflect recent loss experience and current market conditions, we assessed the appropriateness of such adjustments

- For portfolio impairment provision (PIP), our procedures included:
  - Testing the key management controls over the input of underlying data into the models
  - Using our modelling specialists to evaluate the methodology and the key assumptions used in determining the estimate for both the Retail Clients and the Larger Clients and wherever possible, we compared the key assumptions used to externally available industry, financial and economic data
  - Assessing the appropriateness of the emergence period and management adjustments to the output from models for changes in economic factors and specific risks to the exposure
  - Overall assessment and reasonableness of the PIP balance with respect to the qualitative and quantitative changes in the underlying loan portfolio
- For the key underlying systems used for the processing of transactions we involved our information technology specialists to test a selection of automated controls within these systems. We also tested the key controls over these underlying systems, for example, controls over access to systems and data and change management
- Assessing whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk
- Our additional procedures in the particular risk areas of the portfolio, i.e. India, Commodities, China and Commercial exposure included:
  - Reading management's own stress tests and risk-mitigation actions to identify areas of focus
  - Extending our audit coverage over the stressed sectors and geographies and, in particular, to certain components within these portfolios, for example, infrastructure and telecoms in India as well as lower-rated oil producers within Commodities and related exposures. In doing so, we focused on the grading of the counterparties, assessed the quality of the ongoing portfolio monitoring controls, the tenor of the debt and the rate at which counterparties were moving into early alert and credit grades 12 to 14
  - Increasing the extent of Group audit team oversight over work done by the component team. For example, the Senior Statutory Auditor visited Greater China and her delegate visited India
- For the liquidation portfolio, our additional procedures in respect of the impaired exposures involved assessing the key judgements, relating to recovery, namely the likely price and expected time to sell

Valuation of financial instruments

Risk and areas of focus

The risk is that the valuation of financial instruments may be misstated due to the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates. Refer to the critical accounting estimates and judgements in note 1, the Audit Committee report on pages 79 to 84 and the disclosures of valuation risk in note 15.

Of the financial instruments that are held at fair value through profit and loss or as available-for-sale in the Group's balance sheet, 98.5 per cent (2014: 98.5 per cent) qualified as being measured using Level 1 or 2 inputs in the fair value hierarchy as at 31 December 2015. This means they were valued using prices that were observable in the market place or through models with market observable inputs, resulting in the valuation risk being low. However, given the past experience of liquidity rapidly disappearing from emerging and developing markets, it is important to ascertain that prices are liquid enough to be genuinely observable in the market, and this has been our focus for Level 1 and 2 instruments. The remaining 1.5 per cent ($3 billion) of financial instruments are classed as Level 3, because significant pricing inputs to them are unobservable. The determination of these prices is inherently more subjective. In 2015, the Level 3 instruments mainly comprised unlisted private equity investments and a small number of illiquid, thinly traded loans, debt securities and derivatives.

The other notable change during the year related to valuation adjustments on derivatives, whereby the Group adopted a revised methodology for calculating its estimate of the credit and funding valuation adjustments, to be in line with market practice. The revised methodology for credit valuation adjustments uses market-implied spreads for estimating loss rates, rather than historical or internally modelled loss rates which were used in the past. Further, revised modelling capabilities were used to estimate the expected derivative exposures including the application of netting exposures on a counterparty/legal entity/jurisdiction level. The total adjustment for the year due to this change in estimate amounted to $863 million.

The audit risk lies in the main judgements in the calculation of this estimate, those related to the modelling assumptions used in measuring expected exposures of derivatives and the appropriateness of the proxies used (for estimating loss rates) for counterparties where directly observable market spreads could not be obtained.

Our response

Our audit procedures included:

- Testing of the Group's controls over the identification, measurement and management of valuation risk including independent price verification control, governance over valuation models, model validation and management reporting of valuation risk
- Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly input into pricing models
- Using our valuation specialists to assess whether, for a selection of models, the model valuation methodology is appropriate
- Valuing a selection of the Group's debt securities and derivative positions independently, using our valuation specialists, and comparing their valuation to the Group's valuation
- Testing a selection of instruments to establish how many institutions contributed to pricing inputs and how wide the ranges of observable quotes were. This allowed us to assess the liquidity of the prices for Level 1 and 2 instruments
- Assessing, for a selection of investments within Level 3, key inputs, assumptions and models, considering alternative valuation methods and sensitivities to key factors
- For the key underlying systems used for the processing of transactions in relation to financial instruments we involved our information technology specialists to test a selection of automated controls within these systems. We also tested the key controls over these underlying systems, for example controls over access to systems and data and change management.
- Particularly for Level 3, we assessed whether the financial statement disclosures, including sensitivity to key inputs, appropriately reflect the Group's exposure to financial instrument valuation risk
- We also performed a range of additional procedures on the credit and funding valuations adjustments which included:
  - Using our valuation specialists to assess the appropriateness of the methodology and to assess the key underlying models used
  - Checked a selection of counterparty exposures to assess whether these were appropriately netted in arriving at the final exposures
  - Checked that for a selection of counterparties, directly observable spreads agreed to available market data
  - For counterparties where proxies were used because directly observable spreads were not available, we used our valuation specialists to evaluate the appropriateness of the methodology used for determining proxies and checked a selection of these to available market data, for example, sector proxies of relevant industries

Impairment of goodwill

Risk and areas of focus

The risk is that goodwill in the balance sheet may not be supported by the future cash flows of the underlying business. Refer to the critical accounting estimates and judgements in note 1, the Audit Committee report on pages 79 to 84 and the disclosures of goodwill in note 25.

Pre-impairment goodwill in the balance sheet is $4.1 billion but approximately $1.5 billion of this relates to businesses where post-acquisition growth in cash flows provides substantial headroom over the goodwill balance. We regard these as low risk from a misstatement perspective. Our work was therefore focused on the acquisitions where the headroom is lower, amounting to $2.6 billion of goodwill, or businesses which are likely to be substantially impacted by the change in strategy announced in November 2015.

Our response

Our audit procedures included:

- We used our valuation specialists to assess the appropriateness of the Group's valuation approach and its derivation of discount rates. We also compared the latter to external sources
- Challenging the cash flow forecasts including confirming the internal consistency of assumptions and comparing them to progress against business plans and our knowledge of the local banking environment; comparing forecasts to past performance and to GDP forecasts from the IMF; and assessing non-financial assumptions
- Finally we assessed whether the financial statement disclosures, including sensitivity to key inputs, are appropriate

Provision for redundancy and other restructuring costs

Risk and areas of focus

The risk is that restructuring costs may not meet the relevant accounting standards' criteria for recognition and therefore are inappropriately recorded as costs in the period. Refer to the critical accounting estimates and judgements in note 1, the Audit Committee on pages 79 to 84 and the disclosures of restructuring costs in note 8.

The Group has recognised a number of impacts in the financial statements as a result of decisions linked to the new strategic plan announced in November 2015. These impacts include redundancy and related expenses associated with enacted or committed headcount reductions

Our response

Our audit procedures included:

- Assessing the recognition of redundancy provisions required as a result of the staff reduction measures announced, particularly to validate whether costs were recorded in the appropriate reporting period.
- Assessing the recognition of onerous lease contracts and other restructuring charges
- Assessing the adequacy of disclosures contained within the financial statements

4. Our application of materiality and an overview of the scope of the audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statement as a whole as follows:

Overall Group materiality	$150 million (2014: $300 million)
How we determined it	With reference to a benchmark of the normalised average profit or loss before tax for the past three years (materiality represents 3.4 per cent of the benchmark). Absolute values of profit (for 2014 and 2013) and loss (for 2015) were considered after normalisation adjustments for the impairment of goodwill (for 2015, 2014 and 2013) as disclosed in note 25 and the civil penalty from the US branch (for 2014) as disclosed in note 8 as these items are discrete
Rationale for benchmark applied	This approach mitigates undue volatility in determining our materiality and provided a more stable basis for determining materiality, focusing on the underlying profitability of the Group over the past three years

We reported to the Audit Committee any corrected or uncorrected identified misstatements affecting Group profit and loss or Group shareholders' funds of more than $7.5 million and any corrected or uncorrected identified misstatements affecting Group assets and liabilities only of more than $75 million. In addition, we reported to the Audit Committee other identified misstatements that warranted reporting on qualitative grounds.

5. How we scoped our audit

Component scoping	• For the purpose of planning our audit, we identified a branch or a subsidiary as components in the Group audit. 36 components (2014: 34 components) were identified in 30 countries (2014: 27 countries) • Audits for Group reporting purposes were performed at 33 components. A further three components were scoped as they either hold significant quantities of liquid assets or because they process significant volumes of transactions. Specific audit procedures were performed primarily to cover these areas • The Group operates eight central hubs which perform many financial processes, the outputs of which are included in the financial information of the reporting components. Processes within these hubs are subject to audit procedures, predominantly the testing of transaction processing and information technology controls • The components scoped included all significant dealing room activities
Component materiality and coverage	• The audit work undertaken for Group reporting purposes at these components and hubs was performed by the component and hub auditors to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component or hub, having regard to the size and risk profile of the Group across the components and hubs, and ranged from $1 million to $40 million • Reporting components represent 95 per cent (2014: 96 per cent of profit) of Group loss or profit (measured on an absolute basis per component) before tax and 97 per cent (2014: 97 per cent) of total assets
Group audit team procedures and oversight of component auditors	• As part of determining the scope and preparing the audit plan and strategy, the Group audit team led a global planning conference to discuss the key audit risks and obtain inputs from the component teams • Thereafter, Group audit instructions were sent to component auditors with respect to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back • A particular focus was managing the audit work at the hubs, which require component and hub audit teams to cooperate effectively. Common audit objectives were coordinated through common global audit programmes, which set out the responsibilities of each component team on a test-by-test basis. This process was overseen by the Group audit team and senior partners, based in each of the Group's key regions, who oversaw their region in more detail and helped to ensure that the audit approach was fully understood and that key issues were properly addressed • The Group audit team performed the work on valuation of financial instruments and goodwill impairment. In addition, it performed quality assurance checks on loan loss judgements made by component auditors for all loans above $40 million in credit grades 12, 13 and 14 (see pages 172 and 173) and key loans above $75 million on the Group's early alert list (see page 209) • The Senior Statutory Auditor visited key locations to gain first-hand knowledge of key risks and issues. This year, visits were made to Hong Kong, Singapore, India, the UAE, China, the US and South Korea

6. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006
- The information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

7. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- The directors' statement of Viability on page 142, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2018

8. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report and Accounts that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading. In particular, we are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy
- The Corporate Governance section of the Annual Report and Accounts describing the work of the Group Audit Committee does not appropriately address matters communicated by us to the Group Audit Committee

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us
- The parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns
- Certain disclosures of directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 142, in relation to going concern and longer-term viability
- The part of the Corporate governance statement on page 67 relating to the Company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Statement of directors' responsibilities set out on page 151, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report, as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Michelle Hinchliffe
Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London E14 5GL

23 February 2016

Consolidated income statement
For the year ended 31 December 2015

	Notes	2015 $million	2014 $million
Interest income	3	**14,613**	16,984
Interest expense	4	**(5,206)**	(5,981)
Net interest income		**9,407**	11,003
Fees and commission income	5	**4,088**	4,651
Fees and commission expense	5	**(481)**	(472)
Net trading income	6	**912**	1,896
Other operating income	7	**1,363**	1,256
Non-interest income		**5,882**	7,331
Operating income		**15,289**	18,334
Staff costs	8	**(7,119)**	(6,788)
Premises costs	8	**(831)**	(910)
General administrative expenses	8	**(2,559)**	(2,708)
Depreciation and amortisation	9	**(664)**	(639)
Operating expenses		**(11,173)**	(11,045)
Operating profit before impairment losses and taxation		**4,116**	7,289
Impairment losses on loans and advances and other credit risk provisions	10	**(4,976)**	(2,141)
Other impairment			
Goodwill	11	**(488)**	(758)
Other	11	**(367)**	(403)
Profit from associates and joint ventures	23	**192**	248
(Loss)/profit before taxation		**(1,523)**	4,235
Taxation	12	**(673)**	(1,530)
(Loss)/profit for the year		**(2,196)**	2,705
(Loss)/profit attributable to:			
Non-controlling interests	34	**(2)**	92
Parent company shareholders		**(2,194)**	2,613
(Loss)/profit for the year		**(2,196)**	2,705
		cents	cents
Earnings per share:			
Basic (loss)/earnings per ordinary share	14	**(91.9)**	97.3[1]
Diluted (loss)/earnings per ordinary share	14	**(91.9)**	96.7[1]

1. Restated for the impact of the bonus element included within the 2015 rights issue in line with the restatement of prior year earnings per share amounts required by IAS 33 *Earnings per share*

The notes on pages 242 to 325 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Notes	2015 $million	2014 $million
(Loss)/profit for the year		**(2,196)**	2,705
Other comprehensive (loss)/income:			
Items that will not be reclassified to income statement:			
Actuarial losses on retirement benefit obligations	32	**(57)**	(61)
Items that may be reclassified subsequently to income statement:			
Exchange differences on translation of foreign operations:			
Net losses taken to equity		**(2,003)**	(1,090)
Net gains on net investment hedges		**90**	20
Share of other comprehensive income from associates and joint ventures	23	**–**	17
Available-for-sale investments:			
Net valuation (losses)/gains taken to equity		**(57)**	479
Reclassified to income statement		**(328)**	(423)
Cash flow hedges:			
Net losses taken to equity		**(71)**	(116)
Reclassified to income statement	17	**107**	13
Taxation relating to components of other comprehensive (loss)/income	12	**25**	(22)
Other comprehensive loss for the year, net of taxation		**(2,294)**	(1,183)
Total comprehensive (loss)/income for the year		**(4,490)**	1,522
Total comprehensive (loss)/income attributable to:			
Non-controlling interests	34	**(40)**	63
Parent company shareholders		**(4,450)**	1,459
		(4,490)	1,522

Consolidated balance sheet
As at 31 December 2015

	Notes	2015 $million	2014 $million
Assets			
Cash and balances at central banks	15, 37	**65,312**	97,282
Financial assets held at fair value through profit or loss	15, 16	**23,401**	32,623
Derivative financial instruments	15, 17	**63,143**	65,834
Loans and advances to banks	15, 18	**64,494**	83,890
Loans and advances to customers	15, 19	**257,356**	284,695
Investment securities	15, 21	**114,767**	104,238
Other assets	15, 22	**34,601**	38,689
Current tax assets		**388**	362
Prepayments and accrued income		**2,174**	2,647
Interests in associates and joint ventures	23	**1,937**	1,962
Goodwill and intangible assets	25	**4,642**	5,190
Property, plant and equipment	26	**7,209**	7,984
Deferred tax assets	27	**1,059**	518
Total assets		**640,483**	725,914
Liabilities			
Deposits by banks	15	**37,611**	54,391
Customer accounts	15	**350,633**	405,353
Financial liabilities held at fair value through profit or loss	15, 16	**20,872**	22,390
Derivative financial instruments	15, 17	**61,939**	63,313
Debt securities in issue	15, 28	**59,880**	71,951
Other liabilities	15, 29	**32,011**	31,237[1]
Current tax liabilities		**769**	891
Accruals and deferred income		**5,451**	5,915
Subordinated liabilities and other borrowed funds	15, 30	**21,852**	22,947
Deferred tax liabilities	27	**293**	246
Provisions for liabilities and charges	31	**215**	129[1]
Retirement benefit obligations	32	**445**	413
Total liabilities		**591,971**	679,176
Equity			
Share capital	33	**1,639**	1,236
Share premium		**5,449**	5,482
Other reserves		**12,182**	9,690
Retained earnings		**26,934**	30,024
Total parent company shareholders' equity		**46,204**	46,432
Other equity instruments	33	**1,987**	–
Total equity excluding non-controlling interests		**48,191**	46,432
Non-controlling interests	34	**321**	306
Total equity		**48,512**	46,738
Total equity and liabilities		**640,483**	725,914

1. Restated

The notes on pages 242 to 325 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 23 February 2016 and signed on its behalf by:

Sir John Peace
Chairman

Bill Winters
Group Chief Executive

Andy Halford
Group Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital and share premium account $million	Other equity instru-ments $million	Capital and capital redemp-tion reserve[1] $million	Merger reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Trans-lation reserve $million	Retained earnings $million	Parent company share-holders' equity $million	Non-controlling interests $million	Total $million
As at 1 January 2014	6,707	–	18	12,421	446	15	(2,106)	28,745	46,246	595	46,841
Profit for the year	–	–	–	–	–	–	–	2,613	2,613	92	2,705
Other comprehensive income/(loss)	–	–	–	–	10	(72)	(1,042)	(50)[2]	(1,154)	(29)	(1,183)
Distributions	–	–	–	–	–	–	–	–	–	(60)	(60)
Shares issued, net of expenses	11	–	–	–	–	–	–	–	11	–	11
Net own shares adjustment	–	–	–	–	–	–	–	(93)	(93)	–	(93)
Share option expense, net of taxation	–	–	–	–	–	–	–	247	247	–	247
Dividends, net of scrip	–	–	–	–	–	–	–	(1,451)	(1,451)	–	(1,451)
Other increases/(decreases)[3]	–	–	–	–	–	–	–	13	13	(292)	(279)
As at 31 December 2014	**6,718**	**–**	**18**	**12,421**	**456**	**(57)**	**(3,148)**	**30,024**	**46,432**	**306**	**46,738**
Loss for the year	–	–	–	–	–	–	–	(2,194)	(2,194)	(2)	(2,196)
Other comprehensive (loss)/income	–	–	–	–	(324)	11	(1,878)	(65)[2]	(2,256)	(38)	(2,294)
Distributions	–	–	–	–	–	–	–	–	–	(26)	(26)
Shares issued, net of expenses	370	–	–	4,683	–	–	–	–	5,053	–	5,053
Other equity instruments issued, net of expenses	–	1,987	–	–	–	–	–	–	1,987	–	1,987
Net own shares adjustment	–	–	–	–	–	–	–	(58)	(58)	–	(58)
Share option expense, net of taxation	–	–	–	–	–	–	–	148	148	–	148
Dividends, net of scrip	–	–	–	–	–	–	–	(921)	(921)	–	(921)
Other increases[4]	–	–	–	–	–	–	–	–	–	81	81
As at 31 December 2015	**7,088**	**1,987**	**18**	**17,104**	**132**	**(46)**	**(5,026)**	**26,934**	**48,191**	**321**	**48,512**

1. Includes capital reserve of $5 million and capital redemption reserve of $13 million
2. Comprises actuarial loss, net of taxation and non-controlling interests of $67 million (2014: $47 million)
3. Redemption of $300 million 7.267 per cent Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited
4. Additional investment from non-controlling interests in one of the Group's subsidiary undertakings

Note 33 includes a description of each reserve.

The notes on pages 242 to 325 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2015

		Group		Company	
	Notes	2015 $million	2014 $million	2015 $million	2014 $million
Cash flows from operating activities					
(Loss)/profit before taxation		**(1,523)**	4,235	**883**	1,483
Adjustments for non-cash items and other adjustments included within income statement	36	**6,949**	4,470	**(246)**	(747)
Change in operating assets	36	**36,812**	(13,657)	**209**	89
Change in operating liabilities	36	**(70,244)**	59,321	**(57)**	265
Contributions to defined benefit schemes	32	**(109)**	(98)	**–**	–
UK and overseas taxes paid		**(1,285)**	(1,708)	**(23)**	–
Net cash (used in)/from operating activities		**(29,400)**	52,563	**766**	1,090
Cash flows from investing activities					
Purchase of property, plant and equipment	26	**(130)**	(189)	**–**	–
Disposal of property, plant and equipment		**109**	67	**–**	–
Acquisition of investment in subsidiaries, associates and joint ventures, net of cash acquired	23	**–**	(64)	**(3,500)**	(4,759)
Disposal of subsidiaries		**667**	–	**–**	–
Purchase of investment securities		**(209,519)**	(196,054)	**–**	(3,698)
Disposal and maturity of investment securities		**195,457**	192,055	**–**	1,801
Dividends received from associates and joint ventures	23	**12**	13	**973**	1,494
Net cash used in investing activities		**(13,404)**	(4,172)	**(2,527)**	(5,162)
Cash flows from financing activities					
Issue of ordinary and preference share capital, net of expenses		**5,053**	11	**5,053**	11
Issue of Additional Tier 1 capital, net of expenses	33	**1,987**	–	**1,987**	–
Purchase of own shares		**(68)**	(110)	**(68)**	(110)
Exercise of share options through ESOP		**10**	17	**10**	17
Interest paid on subordinated liabilities		**(1,082)**	(1,090)	**(606)**	(434)
Gross proceeds from issue of subordinated liabilities		**–**	4,684	**–**	4,684
Repayment of subordinated liabilities		**(5)**	(2,114)	**–**	–
Investment/(repayment) to non-controlling interests		**82**	(298)	**–**	–
Interest paid on senior debts		**(584)**	(740)	**(460)**	(605)
Gross proceeds from issue of senior debts		**5,388**	6,579	**4,248**	5,048
Repayment of senior debts		**(6,947)**	(6,408)	**(4,548)**	(4,063)
Dividends paid to non-controlling interests, Additional Tier 1 securities holders and preference shareholders		**(192)**	(161)	**(166)**	(101)
Dividends paid to ordinary shareholders, net of scrip		**(755)**	(1,350)	**(755)**	(1,350)
Net cash from/(used in) financing activities		**2,887**	(980)	**4,695**	3,097
Net (decrease)/increase in cash and cash equivalents		**(39,917)**	47,411	**2,934**	(975)
Cash and cash equivalents at beginning of the year		**129,870**	84,156	**17,583**	18,558
Effect of exchange rate movements on cash and cash equivalents		**(1,525)**	(1,697)	**–**	–
Cash and cash equivalents at end of the year	37	**88,428**	129,870	**20,517**	17,583

The notes on pages 242 to 325 form an integral part of these financial statements.

Company balance sheet

As at 31 December 2015

	Notes	2015 $million	2014 $million
Non-current assets			
Investments in subsidiary undertakings	23	**28,381**	24,881
Current assets			
Derivative financial instruments	43, 45	**639**	865
Investment securities	45	**12,309**	12,309
Amounts owed by subsidiary undertakings	45	**20,517**	17,583
		33,465	30,757
Current liabilities			
Derivative financial instruments	43, 45	**1,438**	477
Other creditors		**387**	407
Taxation		**23**	50
Deferred income		**–**	18
		1,848	952
Net current assets		**31,617**	29,805
Total assets less current liabilities		**59,998**	54,686
Non-current liabilities			
Debt securities in issue	45	**17,293**	18,638
Subordinated liabilities and other borrowed funds	30, 45	**13,736**	14,177
		31,029	32,815
Total assets less liabilities		**28,969**	21,871
Equity			
Share capital	33	**1,639**	1,236
Share premium		**5,449**	5,482
Other reserves		**17,122**	12,439
Retained earnings		**2,772**	2,714
Total shareholders' equity		**26,982**	21,871
Other equity instruments	33	**1,987**	–
Total equity		**28,969**	21,871

The notes on pages 242 to 325 form an integral part of these financial statements.

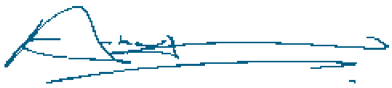
These financial statements were approved by the Board of directors and authorised for issue on 23 February 2016 and signed on its behalf by:

Sir John Peace

Chairman

Bill Winters

Group Chief Executive



Andy Halford

Group Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December 2015

	Share capital and share premium account $million	Other equity instruments $million	Capital and capital redemption reserve[1] $million	Merger reserve $million	Retained earnings $million	Total equity $million
As at 1 January 2014	6,707	–	18	12,421	2,528	21,674
Profit for the year	–	–	–	–	1,482	1,482
Shares issued, net of expenses	11	–	–	–	–	11
Net own shares adjustment	–	–	–	–	(93)	(93)
Share option expense	–	–	–	–	248	248
Dividends, net of scrip	–	–	–	–	(1,451)	(1,451)
As at 31 December 2014	**6,718**	**–**	**18**	**12,421**	**2,714**	**21,871**
Profit for the year	**–**	**–**	**–**	**–**	**883**	**883**
Shares issued, net of expenses	**370**	**–**	**–**	**4,683**	**–**	**5,053**
Other equity instruments issued, net of expenses	**–**	**1,987**	**–**	**–**	**–**	**1,987**
Net own shares adjustment	**–**	**–**	**–**	**–**	**(58)**	**(58)**
Share option expense	**–**	**–**	**–**	**–**	**154**	**154**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**(921)**	**(921)**
As at 31 December 2015	**7,088**	**1,987**	**18**	**17,104**	**2,772**	**28,969**

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

Note 33 includes a description of each reserve.

The notes on pages 242 to 325 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

(a) Statement of compliance

The Group 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. The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU). EU-endorsed IFRS may differ from IFRS published by the International Accounting Standards Board (IASB) if a standard has not been endorsed by the EU.

In publishing the parent company financial statements together with the Group financial statements, the Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

The following parts of the Risk and capital review form part of these financial statements:

a) From the start of Risk profile on page 161 to the end of the Strategic risk section on page 199 excluding:

- Asset backed securities, page 183
- Country cross-border risk, page 186
- Market risk changes – risks not in value at risk, page 188
- Market risk changes – backtesting, page 188
- Mapping of market risk items to the balance sheet, page 189
- Encumbered assets, page 193
- Readily available to secure funding, page 194
- Liquidity coverage ratio and net stable funding ratio, page 191
- Operational risk, page 197
- Other risks, page 199

b) Regulatory compliance, review, request for information and investigations on page 201

c) From the start of Risk management approach on page 204 to the end of 'Liquidity risk – stress testing' on page 214, excluding Country cross-border risk on page 211 and where indicated on page 214

d) From the start of the CRD IV capital base section on page 219 to the end of Movement in total capital section on page 220

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of cash-settled share-based payments, available-for-sale assets, and financial assets and liabilities (including derivatives) at fair value through profit or loss. The Company financial statements have been prepared on a historical cost basis, as modified by cash-settled share-based payments and the revaluation of financial assets and liabilities (including derivatives) at fair value through profit or loss.

(c) Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the relevant disclosure notes for the following areas:

- Loan loss provisioning (refer to Risk and capital review on page 179)
- Deferred taxation (refer to note 27)
- Fair value of financial instruments (refer to note 15)
- Goodwill impairment (refer to note 25)
- Retirement benefit obligations (refer to note 32)
- Provisions for liabilities and charges (refer to note 31)

Impact of revision of credit valuation adjustment and funding valuation adjustment methodology

The Group enhanced its methodology for estimating the credit valuation adjustment (CVA) for derivatives as at 31 December 2015. Previously, the CVA was based on an expected counterparty loss calculation using historical default probabilities, whereas the enhanced methodology uses market-implied default probabilities. In addition, the funding valuation adjustment (FVA) was also enhanced moving from bank internal funding rates to market-based rates. The net effect of the changes in estimates reduced net trading income by $863 million. It is impracticable to estimate the effect of the changes in fair value estimates on future periods. See note 15 for further information on the methodologies used.

(d) Fiduciary activities

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

(e) New accounting standards adopted by the Group

There were no new standards applied during the year ended 31 December 2015.

(f) New accounting standards in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. These include:

IFRS 9 Financial Instruments

IFRS 9 was issued in July 2014 and has an effective date of 1 January 2018. IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The standard requires a move from four measurement classifications under IAS 39 to three: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale (AFS) are removed.

IFRS 9 removes the exception that allows certain equity investments, and derivatives linked to such investments, to be measured at cost. FVOCI, a new measurement category, differs from AFS since IFRS 9 is more prescriptive on when a financial asset can be measured at FVOCI; there is no longer reclassification of any fair value gains or losses to the profit or loss and any equity investments classified as FVOCI are no longer tested for impairment. Equity investments in the scope of IFRS 9 can be measured at FVTPL or FVOCI if specific requirements are met.

The measurement of loan loss provisions will move from an incurred loss model to a forward-looking expected credit loss model. Expected credit losses will be measured as either 12-month expected credit losses or where significant credit deterioration has occurred, lifetime expected credit losses. The expected credit loss model under IFRS 9 is different to the expected loss model used for regulatory purposes.

The Group is assessing the impact that IFRS 9 will have on its consolidated financial statements through a Group-wide project, but it is not yet practicable to quantify the potential effect. The standard is not yet endorsed by the EU.

Classification and measurement
Financial assets are classified on the basis of the business model within which they are held, and their contractual cash flow characteristics. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows, and where those contractual cash flows are solely principal and interest on the principal amount outstanding. Debt instruments that meet the amortised cost definition but might be sold from time to time are held at FVOCI, and in certain circumstances equity instruments can be designated as FVOCI. Unrealised gains or losses are deferred in reserves until the asset is sold or credit impaired. All other financial assets will be held at FVTPL.

The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39. However, the requirements relating to the fair value option for financial liabilities were changed to address own credit risk and, in particular, the presentation of gains and losses within other comprehensive income. The fair value of the Group's changes in own credit risk on fair value elected liabilities will be presented within other comprehensive income rather than net trading income.

Impairment
The impairment requirements applied to financial assets measured at amortised costs and FVOCI, lease receivables, and certain loan commitments and guarantees. IFRS 9 incorporates an expected loss approach for recognising credit losses. Under this approach, 12-month expected credit losses or lifetime expected credit losses for all amortised cost and FVOCI debt instruments would be recognised depending on whether or not significant credit deterioration has occurred since origination or acquisition. Where significant deterioration has not occurred, a provision equating to 12 months of expected credit losses would be recognised whereas if there is a significant deterioration in credit risk, lifetime expected credit losses would be recognised. Moving from an incurred loss approach under IAS 39 to an expected loss approach will require management to incorporate forward-looking information into the Group's impairment models. This is a significant change from the current incurred loss model.

Hedge accounting
The general hedge accounting model aligns hedge accounting more closely with risk management activities and establishes a more principle-based approach to hedge accounting. The International Accounting Standards Board is working on a separate project to address the accounting for hedges of open portfolios, usually referred to as 'macro hedge accounting'. Until such time as that project is complete, entities can choose between applying the hedge accounting requirements of IFRS 9 or to continue to apply the existing hedge accounting requirements in IAS 39.

IFRS 15 Revenue from Contracts with Customers
The effective date of IFRS 15 is 1 January 2018 with early adoption permitted.

The standard provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. The standard must be applied retrospectively. While it is expected that a significant proportion of the Group's revenue will be outside the scope of IFRS 15, the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 15 on these consolidated financial statements. IFRS 15 has not yet been endorsed by the EU.

IFRS 16 Leases
The effective date of IFRS 16 is 1 January 2019 with early adoption permitted if IFRS 15 is also adopted at or before application of IFRS 16. IFRS 16 has not yet been endorsed by the EU.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 16 on these consolidated financial statements.

(g) IFRS and Hong Kong accounting requirements
As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between EU-endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards.

The accounting policies set out below have been applied consistently across the Group and to all years presented in these financial statements.

(h) Consolidation
Subsidiaries
Subsidiaries are all entities, including structured entities, which the Group controls. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Group's practical ability to direct the relevant activities of the entity unilaterally for the Group's own benefit and is subject to reassessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the income statement. Details of the Group's principal subsidiaries are given in note 23.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entity indicates the Group's power over the structured entity. Details of the Group's use of structured entities are set out in note 24.

Associates and joint arrangements
Joint arrangements are where two or more parties either have rights to the assets, and obligations of the joint arrangement (joint operations), or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. As at 31 December 2015, the Group did not have any contractual interest in joint operations.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss). The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

1. Accounting policies continued

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures.

At each balance sheet date the Group assesses whether there is any objective evidence of impairment in the investment in associates and joint ventures. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate or joint venture below its cost, among other factors.

Details of the Group's interest in associates and joint ventures are provided in note 23.

Investment in subsidiaries, associates and joint ventures
In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Business combinations
The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill (see note 25 for details on goodwill recognised by the Group). If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the income statement if (i) they arise within 12 months of the acquisition date (or relate to acquisitions completed before 1 January 2014) and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and, if applicable, prior year amounts are restated. All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

Changes in ownership interest in a subsidiary, which do not result in a loss of control, are treated as transactions between equity holders and are reported in equity.

Where a business combination is achieved in stages, the previously held equity interest is remeasured at the acquisition date fair value with the resulting gain or loss recognised in the income statement.

Details of the Group's interest in associates and joint ventures are provided in note 23.

(i) Foreign currencies
Items included in the Group financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency of that entity). Both the Company and Group financial statements are presented in US dollars, which is the functional and presentation currency of the Company and the presentation currency of the Group.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the income statement or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

Foreign currency translation
The results and financial position of all the entities included in the Group financial statements that have a functional currency different from the Group's presentation currency are accounted for as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date
- Income and expenses for each income statement are translated at average exchange rates or at rates on the date of the transaction where exchange rates fluctuate significantly
- All resulting exchange differences arising since 1 January 2004 are recognised as a separate component of equity

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

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

(j) Income recognition
Income from financial instruments
Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the income statement in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognised within net interest income.

For available-for-sale assets and financial assets and liabilities held at amortised cost, interest income and interest expense is recognised using the effective interest method.

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

Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instrument's original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

If the financial asset has been reclassified, subsequent increases in the estimates of future cash receipts as a result of increased recoverability are recognised as an adjustment to the effective interest rate from the date of the change in estimate.

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

Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Dividends on equity instruments are recognised in the income statement within other income when the Group's right to receive payment is established.

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

(k) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

(l) Financial assets and liabilities classification (excluding derivatives)
The Group classifies its financial assets into the following measurement categories: a) financial assets held at fair value through profit or loss; b) loans and receivables; c) held-to-maturity; and d) available-for-sale. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the classification of its financial assets and liabilities at initial recognition or, where applicable, at the time of reclassification. Details of financial assets and liabilities held by the Group are provided in notes 15, 16 and 17.

Financial assets and liabilities held at fair value through profit or loss
This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis
- A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis
- The assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately

For certain loans and advances and debt securities with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these loans and advances and debt securities have been designated at fair value through profit or loss. Details of financial assets designated at fair value are disclosed in notes 15 and 16.

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

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

Designation of certain liabilities at fair value through profit or loss significantly reduces the accounting mismatch between fair value and amortised cost expense recognition. Details of financial liabilities designated at fair value are disclosed in notes 15 and 16.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration.

Held-to-maturity
Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity.

Available-for-sale
Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

Further detail on the application of these policies is set out in note 15.

Financial liabilities held at amortised cost
Financial liabilities, which include borrowings not classified held at fair value through profit or loss, are classified as amortised cost instruments.

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

Fair value of financial assets and liabilities
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in the absence of the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risks or credit risk, the fair value of the group of financial instruments is measured on a net basis.

1. Accounting policies continued

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument and for unlisted securities is not active, the Group establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and financial assets classified as held-to-maturity and available-for-sale, are initially recognised on the trade date (the date on which the Group commits to purchase or sell the asset). Loans are recognised when cash is advanced to the borrowers. All financial instruments are initially recognised at fair value, which is normally the transaction price plus, for those financial assets and liabilities not carried at fair value through profit and loss, directly attributable transaction costs.

In certain circumstances the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement.

The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the net trading income line in the income statement.

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to the available-for-sale reserve within equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to the income statement.

Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Financial liabilities are subsequently stated at amortised cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method.

In addition to these instruments, the carrying value of a financial instrument carried at amortised cost that is the hedged item in a qualifying fair value hedge relationship is adjusted by the fair value gain or loss attributable to the hedged risk.

Impairment of financial assets

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

The Group considers the following factors in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments
- When a counterparty files for bankruptcy protection (or the local equivalent) and this would avoid or delay discharge of its obligation
- Where the Group files to have the counterparty declared bankrupt or files a similar order in respect of a credit obligation
- Where the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments
- Where the Group sells a credit obligation at a material credit-related economic loss; or where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets

Assets carried at amortised cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Further details on collateral held by the Group is discussed in the Risk and capital review on page 168. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are based on the probability of default inherent within the portfolio of impaired loans or receivables and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Further details on the application of these policies is set out in the Risk and capital review on pages 177 to 181.

Available-for-sale assets
Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is reclassified from equity and recognised in the income statement.

Available-for-sale debt securities are assessed for impairment in the same way as assets carried at amortised cost. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement.

For equity securities, a significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors, in assessing objective evidence of impairment. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Renegotiated loans
Loans whose original terms have been modified, including those subject to forbearance strategies, are considered renegotiated loans. If the renegotiations are on terms that are not consistent with those readily available on the market, this provides objective evidence of impairment and the loan is assessed accordingly.

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

Further details on offsetting are set out in note 15.

Reclassifications
Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurement categories are not permitted following initial recognition.

Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets can only be transferred out of the available-for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets must be reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification is amortised to the income statement over the remaining life of the financial asset, using the effective interest method.

Details of reclassifications are set out in note 15.

Sale and repurchase agreements
Securities sold subject to repurchase agreements (repos) remain on the balance sheet; the counterparty liability is included in deposits by banks or customer accounts, as appropriate. Securities purchased under agreements to resell (reverse-repos) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

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

Details of repo and reverse-repo transactions entered into by the Group are provided in note 15.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires.

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

(m) Derivative financial instruments and hedge accounting
Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in profit and loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

1. Accounting policies continued

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) hedges of the net investment of a foreign operation (net investment hedges).

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

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

Details of the derivative financial instruments held by the Group, including those held for hedge accounting, are provided in note 17.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity or derecognition.

Cash flow hedge

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

Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss.

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

Net investment hedge

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

Further details on the application of these policies are set out in note 17.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments not qualifying for hedge accounting are recognised immediately in the income statement.

(n) Financial guarantee contracts

Under a financial guarantee contract, the Group, in return for a fee, undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. A financial guarantee is recognised as a liability; initially at fair value and, if not designated as at fair value through profit or loss, subsequently at the higher of its initial value less cumulative amortisation and any provision under the contract measured in accordance with IAS 37. Amortisation is calculated so as to recognise fees receivable in profit or loss over the period of the guarantee.

(o) Leases

Where a Group company is the lessee

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

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

Where the Group is a lessee under finance leases, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities. Finance charges payable are recognised over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return.

Where a Group company is the lessor

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

Assets leased to customers under operating leases are included within Property, plant and equipment and depreciated over their useful lives. Rental income on these leased assets is recognised in the income statement on a straight-line basis unless another systematic basis is more representative.

(p) Intangible and tangible fixed assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in Intangible assets. Goodwill on acquisitions of associates is included in Investments in associates. Goodwill included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed based on discounting expected pre-tax cash flows of the relevant cash generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement.

Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These are smaller than the Group's reportable segments (as set out in note 2) as the Group views its reportable segments on a global basis. Note 25 sets out the major CGUs to which goodwill has been allocated.

1. Accounting policies continued

Acquired intangibles
At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful lives (four to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalised where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortised on the basis of expected useful life (three to five years). Costs associated with maintaining software are recognised as an expense as incurred. At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

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

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

Freehold land is not depreciated although it is subject to impairment testing. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	up to 50 years
Leasehold improvements	life of lease, up to 50 years
Equipment and motor vehicles	three to 15 years
Aircraft and ships	up to 25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. At each balance sheet date, assets are also assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately to the recoverable amount.

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

(q) Taxation
Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise.

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

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

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

Details of the income statement tax charge is produced in note 12, and of deferred taxation in note 27.

(r) Provisions
The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

Where a liability arises based on participation in a market at a specified date (such as the UK bank levy), the obligation is recognised in the financial statements on that date and is not accrued over the period.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

(s) Employee benefits
Retirement benefit obligations
The Group operates a number of pension and other post-retirement benefit plans around the world, including defined contribution plans and defined benefit plans.

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

For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Group determines the net interest expense on the net defined liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payment. Net interest expense and other expense related to defined benefit plans are recognised in the income statement.

Details of the Group's retirement benefit obligations are provided in note 32.

1. Accounting policies continued

Share-based compensation

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for awards granted in 2015 in respect of 2014 performance, which vest in 2016-2018, is recognised as an expense over the period from 1 January 2014 to the vesting dates in 2016-2018. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation.

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

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

The Company records the value of the equity-settled awards as a deemed investment in subsidiaries. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

Details of the Group's share-based compensation schemes are set out in note 35.

(t) Share capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the period in which they are declared.

Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are paid.

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

Details of the Group's share capital and other equity instruments are set out in note 33.

(u) Assets held for sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available-for-sale in their present condition; and (iii) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in the disposal group) are measured in accordance with the applicable accounting policies described above.

2. Segmental information

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

The Group's entity-wide disclosure, which includes profit before tax, net interest margin and structure of the Group's deposits, comprises geographic areas, classified by the location of the customer, except for Financial Market products, which are classified by the location of the dealer.

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

Performance by client segments

	2015						
	Corporate & Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total reportable segments $million	Corporate items not allocated $million	Total $million
Internal income	(55)	10	(20)	65	–	–	–
Net interest income	5,125	546	339	3,397	9,407	–	9,407
Non-interest income	3,258	269	238	2,117	5,882	–	5,882
Operating income[1]	8,328	825	557	5,579	15,289	–	15,289
Operating expenses[2]	(5,429)	(767)	(369)	(4,168)	(10,733)	(440)[3]	(11,173)
Operating profit before impairment losses and taxation	2,899	58	188	1,411	4,556	(440)	4,116
Impairment losses on loans and advances and other credit risk provisions[4]	(3,606)	(599)	(94)	(677)	(4,976)	–	(4,976)
Other impairment							
Goodwill impairment[5]	–	–	–	–	–	(488)	(488)
Other impairment[6]	(307)	(27)	(5)	(28)	(367)	–	(367)
Profit from associates and joint ventures	171	14	–	7	192	–	192
(Loss)/profit before taxation	(843)	(554)	89	713	(595)	(928)	(1,523)
Total assets employed	444,431	20,525	22,988	147,476	635,420	5,063	640,483
Of which:							
Loans to customers	140,379	11,107	15,068	94,849	261,403	–	261,403
Total liabilities employed	402,305	25,812	27,990	134,802	590,909	1,062	591,971
Of which:							
Customer accounts	200,975	19,071	24,532	114,549	359,127	–	359,127
Other segment items:							
Interests in associates and joint ventures	1,423	341	–	173	1,937	–	1,937
Capital expenditure[7]	1,112	81	45	152	1,390	–	1,390
Depreciation	321	13	7	96	437	–	437
Amortisation of intangible assets	135	14	8	70	227	–	227

1. Includes $495 million benefit relating to own credit adjustment, $863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments (Corporate & Institutional) and net gains on businesses sold/held for sale of $218 million (Retail $219 million gain and Commercial $1 million loss)
2. Includes $695 million charge relating to restructuring actions (Corporate & Institutional $231 million, Commercial $56 million, Private Bank $8 million and Retail $400 million)
3. Relates to $440 million for UK bank levy
4. Includes $968 million charge relating to restructuring actions in Corporate & Institutional
5. Relates to $488 million goodwill impairment charge in Taiwan ($362 million) and restructuring actions in Thailand ($126 million)
6. Includes $56 million charge relating to restructuring actions (Corporate & Institutional $13 million, Commercial $20 million, Retail $23 million)
7. Includes $885 million capital expenditure relating to operating lease assets

2. Segmental information continued

	2014						
	Corporate & Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total reportable segments $million	Corporate items not allocated $million	Total $million
Internal income	6	2	(6)	(2)	–	–	–
Net interest income	5,821	722	346	4,114	11,003	–	11,003
Non-interest income[1]	4,704	458	272	1,897	7,331	–	7,331
Operating income	10,531	1,182	612	6,009	18,334	–	18,334
Operating expenses	(5,191)	(739)	(447)	(4,002)	(10,379)	(666)[2]	(11,045)
Operating profit before impairment losses and taxation	5,340	443	165	2,007	7,955	(666)	7,289
Impairment losses on loans and advances and other credit risk provisions	(991)	(212)	–	(938)	(2,141)	–	(2,141)
Other impairment							
Goodwill Impairment[3]	–	–	–	–	–	(758)	(758)
Other impairment	(307)	(35)	(16)	(45)	(403)	–	(403)
Profit from associates and joint ventures	198	22	–	28	248	–	248
Profit before taxation	4,240	218	149	1,052	5,659	(1,424)	4,235
Total assets employed	513,767	29,444	26,181	151,418	720,810	5,104	725,914
Of which:							
Loans to customers	157,970	14,651	18,056	97,922	288,599	–	288,599
Total liabilities employed	466,680	32,087	36,370	142,902	678,039	1,137	679,176
Of which:							
Customer accounts	244,731	22,787	29,621	117,050	414,189	–	414,189
Other segment items:							
Interests in associates and joint ventures	1,217	406	19	320	1,962	–	1,962
Capital expenditure[4]	2,264	120	44	98	2,526	–	2,526
Depreciation	305	13	4	112	434	–	434
Amortisation of intangible assets	107	13	6	79	205	–	205

1. Includes an own credit adjustment of $100 million (Corporate & Institutional) net benefit relating to own credit adjustment and $2 million net losses on businesses sold/held-for-sale
2. Relates to $366 million for UK bank levy and $300 million for US civil monetary penalty
3. Relates to $726 million and $32 million goodwill impairment charge in North East Asia and Greater China respectively
4. Includes capital expenditure of $1,966 million in respect of operating lease asset

The following table details operating income by product:

	2015 $million	2014 $million
Lending and Portfolio Management	844	1,026
Transaction Banking	3,363	3,802
Trade	1,593	1,956
Cash Management and Custody	1,770	1,846
Financial Markets[1]	2,371	3,500
Corporate Finance	2,145	2,487
Wealth Management	1,729	1,701
Retail Products	4,340	4,840
Cards, Personal Loans and Unsecured Lending	1,962	2,576
Deposits	1,184	1,222
Mortgage and Auto	835	938
Other Retail Products[2]	359	104
Asset and Liability Management	425	653
Principal Finance	72	325
Total operating income[1,2]	15,289	18,334

1. Includes $495 million (2014: $100 million) benefit relating to own credit adjustment and $863 million charge relating to a change in the methodology for estimating credit and funding valuation adjustments
2. Includes $218 million net gain (2014: $2 million net loss) relating to businesses sold/held for sale

2. Segmental information continued

Performance by geographic regions and key countries

Entity-wide information

The Group manages its reportable client segments on a global basis. The Group's operations are based in the eight main geographic regions presented below; information is also provided for key countries in which the Group operates. The UK is the home country of the Company.

	2015								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Internal income	69	(36)	(57)	63	84	76	6	(205)	–
Net interest income	2,494	861	1,240	1,878	845	916	326	847	9,407
Fees and commissions income, net	1,306	195	281	750	322	337	345	71	3,607
Net trading income	839	(14)	(178)	311	97	(36)	148	(255)	912
Underlying	790	(17)	(178)	42	96	(36)	148	(428)	417
Own credit adjustment	49	3	–	269	1	–	–	173	495
Other operating income	621	129	125	143	65	143	14	123	1,363
Operating income[1]	5,329	1,135	1,411	3,145	1,413	1,436	839	581	15,289
Operating expenses[2]	(3,023)	(1,480)	(842)	(1,935)	(975)	(951)	(812)	(1,155)	(11,173)
Operating profit/(loss) before impairment losses and taxation	2,306	(345)	569	1,210	438	485	27	(574)	4,116
Impairment losses on loans and advances and other credit risk provisions[3]	(701)	(247)	(1,347)	(1,016)	(441)	(550)	(62)	(612)	(4,976)
Other impairment[4]	(410)	(12)	(34)	(195)	(3)	(48)	(9)	(144)	(855)
Profit/(loss) from associates and joint ventures	173	–	–	16	–	4	–	(1)	192
Profit/(loss) before taxation	1,368	(604)	(812)	15	(6)	(109)	(44)	(1,331)	(1,523)
Total assets employed[5,6]	187,225	59,757	31,436	129,874	41,950	25,198	69,614	171,601	
Of which: Loans to customers[6]	77,675	28,608	19,287	66,942	19,485	11,562	11,498	26,346	
Average interest-earning assets[6]	168,713	52,535	29,720	114,696	35,167	21,539	72,471	118,675	
Net interest margin (%)	1.5	1.6	4.0	1.7	2.6	4.6	0.5	0.5	1.7
Capital expenditure[7]	907	19	18	376	6	14	7	43	1,390

1. Includes $495 million benefit relating to own credit adjustment, $863 million charges relating to a change in the methodology for estimating credit and funding valuation adjustments, and $218 million net gain on businesses sold/held for sale
2. Includes $695 million charge relating to restructuring actions and $440 million for UK bank levy
3. Includes $968 million charge relating to restructuring actions
4. Includes $488 million of goodwill impairment charge and $56 million relating to restructuring actions
5. Includes intra-group assets
6. Based on the location of the customers rather than the booking location
7. Includes $885 million capital expenditure in Greater China relating to operating lease assets

2. Segmental information continued

Entity-wide information

	2014								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Internal income	(28)	(80)	(51)	54	82	93	(6)	(64)	–
Net interest income	3,006	1,238	1,267	2,251	951	988	396	906	11,003
Fees and commissions income, net	1,342	236	298	958	418	413	359	155	4,179
Net trading income	798	12	231	231	244	199	84	97	1,896
Underlying	704	12	231	234	244	199	84	88	1,796
Own credit adjustment	94	–	–	(3)	–	–	–	9	100
Other operating income	422	53	110	219	148	136	28	140	1,256
Operating income[1]	5,540	1,459	1,855	3,713	1,843	1,829	861	1,234	18,334
Operating expenses[2]	(2,911)	(1,179)	(793)	(2,078)	(984)	(990)	(968)	(1,142)	(11,045)
Operating profit before impairment losses and taxation	2,629	280	1,062	1,635	859	839	(107)	92	7,289
Impairment losses on loans and advances and other credit risk provisions	(469)	(394)	(183)	(698)	(89)	(175)	(21)	(112)	(2,141)
Other impairment[3]	(174)	(737)	(73)	(86)	(1)	(1)	(1)	(88)	(1,161)
Profit/(loss) from associates and joint ventures	177	–	–	62	–	10	–	(1)	248
Profit/(loss) before taxation	2,163	(851)	806	913	769	673	(129)	(109)	4,235
Total assets employed[4,5]	213,196	64,896	35,941	160,286	44,225	26,456	91,999	172,274	
Of which: Loans to customers[5]	89,646	29,582	22,859	78,541	22,775	13,103	10,952	21,141	
Average interest-earning assets[5]	175,790	58,491	31,733	127,746	36,590	22,837	66,415	110,940	
Net interest margin (%)	1.7	2.0	3.8	1.8	2.8	4.7	0.6	0.8	1.9
Capital expenditure[6]	2,008	40	28	377	12	38	2	21	2,526

1. Includes $100 million benefit relating to own credit adjustment and $2 million net losses on businesses sold/held for sale
2. Includes $366 million UK bank levy in Europe and $300 million civil monetary penalty in Americas
3. Includes $32 million and $726 million related to goodwill impairment charge in Greater China and North East Asia respectively
4. Includes intra-group assets
5. Based on the location of the customers rather than booking location
6. Includes $1,966 million capital expenditure in Greater China relating to operating lease assets

2. Segmental information continued

Entity-wide information

2015	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Net interest income	1,633	1,031	789	921	507	703	552
Fees and commissions income, net	985	430	181	215	199	145	9
Net trading income	511	286	(29)	(222)	80	219	(276)
Underlying	461	16	(32)	(222)	79	219	(449)
Own credit adjustment	50	270	3	–	1	–	173
Other operating income	669	83	123	116	41	(58)	99
Operating income[1]	3,798	1,830	1,064	1,030	827	1,009	384
Operating expenses[2]	(1,868)	(976)	(1,426)	(637)	(579)	(820)	(1,038)
Operating profit/(loss) before impairment losses and taxation	1,930	854	(362)	393	248	189	(654)
Impairment losses on loans and advances and other credit risk provisions[3]	(422)	(282)	(249)	(1,341)	(352)	(249)	(611)
Other impairment[3]	(21)	(6)	(11)	(33)	(2)	(25)	(144)
Profit from associates and joint ventures	–	1	–	–	–	173	–
Profit/(loss) before taxation	1,487	567	(622)	(981)	(106)	88	(1,409)
Total assets employed[4,5]	146,889	100,644	46,554	25,901	27,209	28,863	165,601
Of which:							
Loans to customers[5]	55,128	47,394	27,552	16,311	12,456	12,268	23,920
Capital expenditure[6]	897	2	19	8	2	9	43

1. Includes own credit adjustment, change in the methodology for estimating credit and funding valuation adjustments and net gain on businesses sold/held for sale
2. Includes restructuring actions and bank levy
3. Includes restructuring actions
4. Includes intra-group assets
5. Based on the location of the customers rather than the booking location
6. Includes $885 million capital expenditure in Hong Kong relating to operating lease assets

2014	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Net interest income	1,906	1,164	1,109	966	605	779	731
Fees and commissions income, net	1,040	582	219	225	263	133	83
Net trading income	702	165	–	173	136	(6)	81
Underlying income	609	171	(1)	173	136	(7)	72
Own credit adjustment	93	(6)	1	–	–	1	9
Other operating income	397	116	52	88	66	13	89
Operating income[1]	4,045	2,027	1,380	1,452	1,070	919	984
Operating expenses[2]	(1,792)	(1,093)	(1,121)	(647)	(569)	(758)	(942)
Operating profit before impairment losses and taxation	2,253	934	259	805	501	161	42
Impairment losses on loans and advances and other credit risk provisions	(272)	(80)	(392)	(171)	(63)	(177)	(108)
Other impairment[3]	(169)	(2)	(737)	(73)	–	–	(88)
Profit/(loss) from associates and joint ventures	–	(1)	–	–	–	177	–
Profit/(loss) before taxation	1,812	851	(870)	561	438	161	(154)
Total assets employed[4,5]	156,528	120,845	54,437	30,083	28,322	36,250	172,259
Of which:							
Loans to customers[5]	61,643	55,830	28,600	19,718	14,358	15,939	18,344
Capital expenditure[6]	1,996	355	39	20	2	7	19

1. Includes own credit adjustment, and net losses on businesses sold/held for sale
2. Includes $366 million bank levy in the UK
3. Includes $32 million and $726 million related to goodwill impairment charge in Hong Kong and Korea respectively
4. Includes intra-group assets
5. Based on the location of the customers rather than booking location
6. Includes $1,966 million capital expenditure in Hong Kong relating to operating lease assets

2. Segmental information continued

Deposits structure by geographic regions

The following tables set out the structure of the Group's deposits by principal geographic regions:

	2015								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Non-interest bearing current and demand accounts	13,615	574	2,876	9,926	7,356	5,263	2,727	1,048	43,385
Interest bearing current accounts and savings deposits	88,598	21,867	2,658	33,818	4,624	3,145	11,609	15,007	181,326
Time deposits	33,582	12,138	8,725	32,731	11,835	2,576	10,410	37,099	149,096
Other deposits	193	510	478	2,540	347	163	4,063	15,274	23,568
Total	135,988	35,089	14,737	79,015	24,162	11,147	28,809	68,428	397,375
Deposits by banks	4,635	3,678	351	4,892	2,342	387	10,967	10,996	38,248
Customer accounts	131,353	31,411	14,386	74,123	21,820	10,760	17,842	57,432	359,127
Protected under government insurance schemes	25,148	8,632	1,090	10,311	786	3,066	–	67	49,100
Other accounts	106,205	22,779	13,296	63,812	21,034	7,694	17,842	57,365	310,027
	135,988	35,089	14,737	79,015	24,162	11,147	28,809	68,428	397,375
Debt securities in issue:									
Senior debt	1,484	2,456	–	–	–	5	–	17,293	21,238
Other debt securities	1,387	3,517	57	4,577	–	18	18,860	19,143	47,559
Subordinated liabilities and other borrowed funds	1,301	315	–	–	24	34	–	20,178	21,852
Total	140,160	41,377	14,794	83,592	24,186	11,204	47,669	125,042	488,024

	2014								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Non-interest bearing current and demand accounts	12,670	514	3,201	10,579	7,969	5,826	2,610	2,582	45,951
Interest bearing current accounts and savings deposits	86,110	21,369	2,771	39,067	5,051	2,590	17,345	17,885	192,188
Time deposits	57,735	14,476	8,575	47,583	11,422	3,142	28,231	42,214	213,378
Other deposits	220	462	1,001	3,841	412	146	1,689	10,224	17,995
Total	156,735	36,821	15,548	101,070	24,854	11,704	49,875	72,905	469,512
Deposits by banks	5,200	4,202	338	7,283	2,374	687	16,496	18,743	55,323
Customer accounts	151,535	32,619	15,210	93,787	22,480	11,017	33,379	54,162	414,189
Protected under government insurance schemes	26,700	9,309	1,253	12,825	326	2,927	–	69	53,409
Other accounts	124,835	23,310	13,957	80,962	22,154	8,090	33,379	54,093	360,780
	156,735	36,821	15,548	101,070	24,854	11,704	49,875	72,905	469,512
Debt securities in issue:									
Senior debt	1,416	3,919	–	–	–	5	–	18,804	24,144
Other debt securities	3,569	6,234	388	5,004	–	137	17,325	23,987	56,644
Subordinated liabilities and other borrowed funds	1,342	337	–	–	25	46	–	21,197	22,947
Total	163,062	47,311	15,936	106,074	24,879	11,892	67,200	136,893	573,247

The above tables include financial instruments held at fair value (see note 15).

2. Segmental information continued

Deposits structure by key countries

The following tables set out the structure of the Group's deposits by key countries:

	2015						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Non-interest bearing current and demand accounts	12,731	7,313	42	2,085	5,089	756	688
Interest bearing current accounts and savings deposits	67,091	26,773	19,824	1,611	2,170	11,846	11,655
Time deposits	20,512	26,386	8,586	7,371	9,781	7,735	33,792
Other deposits	37	2,069	397	272	310	150	15,255
Total	100,371	62,541	28,849	11,339	17,350	20,487	61,390
Deposits by banks	3,279	4,058	794	337	2,066	962	9,929
Customer accounts	97,092	58,483	28,055	11,002	15,284	19,525	51,461
Protected under government insurance schemes	18,294	5,541	8,632	473	–	56	56
Other accounts	78,798	52,942	19,423	10,529	15,284	19,469	51,405
	100,371	62,541	28,849	11,339	17,350	20,487	61,390
Debt securities in issue:							
Senior debt	151	–	2,456	–	–	794	17,293
Other debt securities	932	4,370	2,016	57	–	–	19,143
Subordinated liabilities and other borrowed funds	1,301	–	315	–	–	–	20,178
Total	102,755	66,911	33,636	11,396	17,350	21,281	118,004

	2014						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Non-interest bearing current and demand accounts	11,874	7,985	80	2,404	5,150	663	931
Interest bearing current accounts and savings deposits	64,562	30,997	19,889	1,600	2,858	10,861	15,820
Time deposits	38,609	36,934	11,106	7,395	9,763	11,697	39,585
Other deposits	39	3,042	411	765	369	176	10,226
Total	115,084	78,958	31,486	12,164	18,140	23,397	66,562
Deposits by banks	4,304	5,231	1,786	325	2,175	793	17,573
Customer accounts	110,780	73,727	29,700	11,839	15,965	22,604	48,989
Protected under government insurance schemes	19,215	6,017	9,309	493	–	57	57
Other accounts	91,565	67,710	20,391	11,346	15,965	22,547	48,932
	115,084	78,958	31,486	12,164	18,140	23,397	66,562
Debt securities in issue:							
Senior debt	–	–	3,919	–	–	817	18,804
Other debt securities	2,737	4,695	3,459	388	–	–	23,987
Subordinated liabilities and other borrowed funds	1,342	–	337	–	–	–	21,197
Total	119,163	83,653	39,201	12,552	18,140	24,214	130,550

The above tables include financial instruments held at fair value (see note 15).

3. Interest income

	2015 $million	2014 $million
Balances at central banks	238	246
Treasury bills	647	780
Loans and advances to banks	1,020	1,206
Loans and advances to customers	10,266	12,167
Listed debt securities	712	823
Unlisted debt securities	1,623	1,662
Accrued on impaired assets (discount unwind)	107	100
	14,613	16,984
Of which from financial instruments held at:		
Amortised cost	11,808	14,281
Available-for-sale	2,425	2,373
Held at fair value through profit or loss	380	330

4. Interest expense

	2015 $million	2014 $million
Deposits by banks	396	408
Customer accounts:		
Interest bearing current accounts and savings deposits	971	1,009
Time deposits	2,501	2,960
Debt securities in issue	773	866
Subordinated liabilities and other borrowed funds:		
Repayable within five years	43	74
Repayable after five years	522	664
	5,206	5,981
Of which from financial instruments held at:		
Amortised cost	5,073	5,541
Held at fair value through profit or loss	133	440

5. Net fees and commission

	2015 $million	2014 $million
Transaction Banking	1,307	1,484
Financial Markets	173	353
Corporate Finance	310	462
Wealth Management	1,211	1,151
Retail Products	560	668
Others	46	61
	3,607	4,179

Total fee income arising from financial instruments that are not fair valued through profit or loss is $1,190 million (2014: $1,596 million) and arising from trust and other fiduciary activities of $156 million (2014: $156 million).

Total fee expense arising from financial instruments that are not fair valued through profit or loss is $40 million (2014: $79 million) and arising from trust and other fiduciary activities of $25 million (2014: $21 million).

6. Net trading income

	2015 $million	2014 $million
Gains less losses on instruments held for trading:		
Foreign currency[1]	**1,608**	298
Trading securities	**(584)**	337
Interest rate derivatives	**(687)**	1,306
Credit and other derivatives	**423**	39
	760	1,980
Gains less losses from fair value hedging:		
Gains less losses from fair value hedged items	**198**	(1,301)
Gains less losses from fair value hedging instruments	**(192)**	1,272
	6	(29)
Gains less losses on instruments designated at fair value:		
Financial assets designated at fair value through profit or loss	**(118)**	(65)
Financial liabilities designated at fair value through profit or loss	**(391)**	(834)
Own credit adjustment	**495**	100
Derivatives managed with financial instruments designated at fair value through profit or loss	**160**	744
	146	(55)
	912	1,896

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

2015 includes $863 million of valuation losses relating to the change in the methodology for calculating the credit and funding valuation adjustments (see note 15).

Gains less losses on instruments held for trading is presented by product type. Gains or losses on certain trading securities are offset by gains or losses within interest rate derivatives and credit and other derivatives.

7. Other operating income

	2015 $million	2014 $million
Other operating income includes:		
Rental income from operating lease assets	**550**	562
Gains less losses on disposal of financial instruments:		
Available-for-sale	**332**	426
Loans and receivables	**4**	8
Net gain on sale of businesses	**222**	13
Dividend income	**111**	97
Gain on disposal of property, plant and equipment	**66**	49
Receipt of tax refund related income	**13**	26
Fair value loss on business classified as held for sale	**(4)**	(15)

8. Operating expenses

	2015 $million	2014 $million
Staff costs:		
Wages and salaries	**4,924**	5,035
Social security costs	**154**	168
Other pension costs (note 32)	**299**	333
Share-based payment costs (note 35)	**146**	234
Other staff costs	**1,596**	1,018
	7,119	6,788

Variable compensation is included within share-based payments costs and wages and salaries. Further details are disclosed in the Directors' remuneration report on page 115. Other staff costs primarily include redundancy and other restructuring expenses of $695 million due to the ongoing Strategic Review. Other costs include training, travel costs and other staff related costs.

8. Operating expenses continued

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

	2015		
	Business	Support services	Total
As at 31 December	42,036	42,040	84,076
Average for the year	45,207	42,111	87,318

	2014		
	Business	Support services	Total
As at 31 December	49,638	41,302	90,940
Average for the year	48,642	40,293	88,935

The Company employed nil staff as at 31 December 2015 (2014: nil) and it incurred costs of $4 million (2014: $4 million).

Details of directors' pay and benefits and interests in shares are disclosed in the Directors' remuneration report on pages 116 to 132.

Transactions with directors, officers and other related parties are disclosed in note 43.

	2015 $million	2014 $million
Premises and equipment expenses		
Rental of premises	433	454
Other premises and equipment costs	376	432
Rental of computers and equipment	22	24
	831	910

	2015 $million	2014 $million
General administrative expenses		
UK bank levy[1]	440	366
Civil monetary penalty[2]	–	300
Other general administrative expenses	2,119	2,042
	2,559	2,708

1. The UK bank levy is applied on the chargeable equities and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. The rate of the levy for 2015 is the blended rate of 0.197 per cent for chargeable short-term liabilities, with a lower rate of 0.098 per cent generally applied to chargeable equity and long-term liabilities (i.e. liabilities with a remaining maturity greater than one year)
2. In August 2014, Standard Chartered reached a settlement with the New York Department of Financial Services (NYDFS) regarding deficiencies in its anti-money laundering transaction surveillance system at the New York branch

Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The following fees were payable by the Group to their principal auditor, KPMG LLP and its associates (together KPMG):

	2015 $million	2014 $million
Audit fees for the Group statutory audit:		
Fees relating to the current year	3.9	3.9
Fees payable to KPMG for other services provided to the Group:		
Audit of Standard Chartered PLC subsidiaries, pursuant to legislation		
Fees relating to the current year	10.9	10.8
Total audit and audit related fees	14.8	14.7
Other services pursuant to legislation	5.4	3.1
Tax services	0.4	0.5
Services relating to corporate finance transactions	2.1	–
All other services	0.9	0.5
Total fees payable	23.6	18.8

8. Operating expenses continued

The following is a description of the type of services included within the categories listed above:

- Audit fees are in respect of fees payable to KPMG LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC. They exclude amounts payable for the audit of Standard Chartered PLC's subsidiaries and amounts payable to KPMG LLP's associates. These amounts have been included in Fees payable to KPMG for other services provided to the Group
- Other services pursuant to legislation include services for assurance and other services that are in relation to statutory and regulatory filings, including comfort letters and interim reviews
- Tax services include tax compliance services and tax advisory services
- Services related to corporate finance transactions include fees payable to KPMG for transaction related work irrespective of whether the Group is vendor or purchaser, such as acquisition due diligence and long-form reports. During 2015, this included $1.7 million in respect of the rights issue
- All other services include other assurance and advisory services such as transaction services, ad hoc accounting advice, reporting accountants work on capital raising and review of financial models

Expenses incurred during the provision of services and which have been reimbursed by the Group are included within auditor's remuneration.

In addition to the above, KPMG estimates it has been paid fees less than $0.2 million (2014: less than $0.2 million) by parties other than the Group but where the Group is connected with the contracting party and therefore may be involved in appointing KPMG. These fees arise from services such as the audit of the Group's pension schemes.

Fees payable to KPMG for non-audit services for Standard Chartered PLC are not separately disclosed because such fees are disclosed on a consolidated basis for the Group.

9. Depreciation and amortisation

	2015 $million	2014 $million
Property, plant and equipment:		
Premises	**91**	105
Equipment	**88**	95
Operating lease assets	**258**	234
	437	434
Intangibles:		
Software	**205**	165
Acquired on business combinations	**22**	40
	664	639

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

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

	2015 $million	2014 $million
Net charge against profit on loans and advances:		
Individual impairment charge	**4,820**	2,096
Portfolio impairment (release)/charge	**(4)**	38
	4,816	2,134
Impairment charges related to credit commitments	**94**	6
Impairment charges relating to debt securities classified as loans and receivables	**66**	1
Total impairment losses and other credit risk provisions on loans and advances	**4,976**	2,141

An analysis of impairment provisions on loans and advances by geography and client segment is set out within the Risk and capital review on pages 179 and 181.

11. Other impairment

	2015 $million	2014 $million
Impairment of goodwill (see note 25)	**488**	758
Impairment of fixed assets (see note 26)	**149**	–
Impairment losses on available-for-sale financial assets:		
Debt securities	**5**	109
Equity shares	**142**	47
	147	156
Impairment of investment in associates (see note 23)	**46**	97
Impairment of acquired intangible assets (see note 25)	**1**	8
Impairment of commodity assets	**–**	139
Other	**42**	9
	873	1,167
Recovery of impairment on disposal of instruments[1]	**(18)**	(6)
	855	1,161

1. Relates to private equity instruments sold during the year that had impairment provisions raised against them in prior years

12. Taxation

Determining the Group's taxation charge for the year involves a degree of estimation and judgement.

The following table provides analysis of taxation charge in the year:

	2015 $million	2014 $million
The charge for taxation based upon the (loss)/profit for the year comprises:		
Current tax:		
United Kingdom corporation tax at 20.25 per cent (2014: 21.5 per cent):		
Current tax (credit)/charge on income for the year	**(15)**	169
Adjustments in respect of prior years (including double taxation relief)	**57**	(130)
Double taxation relief	**(4)**	(8)
Foreign tax:		
Current tax charge on income for the year	**1,084**	1,460
Adjustments in respect of prior years	**49**	(29)
	1,171	1,462
Deferred tax:		
Origination/reversal of temporary differences	**(526)**	(15)
Adjustments in respect of prior years	**28**	83
	(498)	68
Tax on (loss)/profit on ordinary activities	**673**	1,530
Effective tax rate	**nm[1]**	36.1%

1. Not meaningful

The UK corporation tax rate was reduced from 21 per cent to 20 per cent with an effective date of 1 April 2015, giving a blended 20.25 per cent for the year.

Further reductions in the UK corporation tax rate to 19 per cent with an effective date of 1 April 2017 and to 18 per cent with an effective date of 1 April 2020 have been enacted at the balance sheet date. The rate reduction to 18 per cent did not have a significant impact on the Group.

Foreign taxation includes current taxation on Hong Kong profits of $131 million (31 December 2014: $207 million) on the profits assessable in Hong Kong.

Deferred taxation includes origination/reversal of temporary differences in Hong Kong profits of $(12) million (2014: $4 million) provided at a rate of 16.5 per cent (2014: 16.5 per cent) on the profits assessable to Hong Kong.

The tax charge for the year of $673 million (2014: $1,530 million) on a loss before taxation of $1,523 million (2014: profit before taxation of $4,235 million) reflected the impact of deferred tax assets not recognised and non-deductible goodwill impairment.

12. Taxation continued

The taxation charge for the year is higher than the charge at the blended rate of corporation tax in the United Kingdom, 20.25 per cent. The differences are explained below:

	2015 $million	2014 $million
(Loss)/profit on ordinary activities before taxation	(1,523)	4,235
Tax at 20.25 per cent (2014: 21.5 per cent)	(308)	911
Effects of:		
Tax free income	(187)	(254)
Lower tax rates on overseas earnings	(42)	(146)
Higher tax rates on overseas earnings	230	492
Adjustments to tax charge in respect of prior years	134	(76)
Goodwill impairment	99	163
Deferred tax not recognised	314	–
Non-deductible expenses	326	525
Other items	107	(85)
Tax on (loss)/profit on ordinary activities	673	1,530

	2015			2014		
	Current tax $million	Deferred tax $million	Total $million	Current tax $million	Deferred tax $million	Total $million
Tax recognised in other comprehensive income						
Available-for-sale assets	2	58	60	(16)	(50)	(66)
Cash flow hedges	–	(25)	(25)	–	31	31
Retirement benefit obligations	–	(10)	(10)	–	13	13
	2	23	25	(16)	(6)	(22)
Other tax recognised in equity						
Share-based payments	–	(6)	(6)	1	(2)	(1)
Total tax credit/(charge) recognised in equity	2	17	19	(15)	(8)	(23)

13. Dividends

	2015		2014	
Ordinary equity shares	Pre-rights cents per share	$million	Pre-rights cents per share	$million
2014/2013 final dividend declared and paid during the year	57.20	1,412	57.20	1,385
2015/2014 interim dividend declared and paid during the year	14.40	366	28.80	710
		1,778		2,095

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2015 and 2014. 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 2014 final dividend of 57.20 cents per ordinary share ($1,412 million) was paid to eligible shareholders on 14 May 2015 and the interim dividend of 14.40 cents per ordinary share ($366 million) was paid to eligible shareholders on 19 October 2015.

On 3 November 2015, the Board announced that no final dividend will be paid for 2015 financial year in light of the Strategic Review and the rights issue. Accordingly, the total dividend for 2015 is 14.40 cents per share on a pre-rights basis (2014: 86 cents per share, on a pre-rights basis).

13. Dividends continued

Impact of the 2015 rights issue

On 3 November 2015, the Company announced the issue of 728,432,451 new ordinary shares by way of rights to qualifying shareholders at 465 pence per new ordinary share. The issue was on the basis of two ordinary shares for every seven ordinary shares held on 18 November 2015. The dividend per share amounts in the table below have been adjusted for the bonus element included within the 2015 rights issue in line with the restatement of prior period earnings per share amounts required by IAS 33 *Earnings per share* (see note 14).

	2015 Post-rights cents per share	2014 Post-rights cents per share
2014/2013 final dividend declared and paid during the year	**54.44**	54.44
2015/2014 interim dividend declared and paid during the year	**13.71**	27.41

Total dividend recommended and declared relating to 2015 on a post-rights basis is 13.71 cents per share (2014: 81.85 cents per share).

Preference shares		2015 $million	2014 $million
Non-cumulative irredeemable preference shares:	7³⁄₈ per cent preference shares of £1 each[1]	**11**	12
	8¹⁄₄ per cent preference shares of £1 each[1]	**13**	13
Non-cumulative redeemable preference shares:	7.014 per cent preference shares of $5 each[2]	**53**	53
	6.409 per cent preference shares of $5 each[2]	**48**	48

1. Dividends on these preference shares are treated as interest expense and accrued accordingly
2. Dividends on these preference shares classified as equity are recorded in the period in which they are declared

Additional Tier 1 securities	2015 $million	2014 $million
$2 billion fixed rate resetting perpetual subordinated contingent convertible securities[3]	**65**	–

3. Dividends on these securities classified as equity are recorded in the period in which they are declared

14. Earnings per ordinary share

	2015			2014		
	(Loss)[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 (loss)/earnings per ordinary share	**(2,360)**	**2,568,098**	**(91.9)**	2,512	2,458,662	102.2
Pre-rights issue bonus earnings per ordinary share						
Impact of rights issue[2]	–	–	–	–	123,740	–
Post-rights issue basic (loss)/earnings per ordinary share	**(2,360)**	**2,568,098**	**(91.9)**	2,512	2,582,402	97.3
Effect of dilutive potential ordinary shares:						
Options[3]	–	–	–	–	15,250[2]	–
Diluted (loss)/earnings per ordinary share	**(2,360)**	**2,568,098**	**(91.9)**	2,512	2,597,652	96.7

1. The (loss)/profit represents the amount attributable to ordinary shareholders, which is (loss)/profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity (see note 13)
2. On 3 November 2015, the Company announced the issue of 728,432,451 new ordinary shares by way of rights to qualifying shareholders at 465 pence per share. The issue was made as two shares for every seven shares held on 18 November 2015. As required by IAS 33 *Earnings per share* the impact of the bonus element included within the rights issue has been included in the calculations of the basic and diluted earnings per share for the year and prior year (and their normalised equivalent) has been represented accordingly as presented in note 44
3. The impact of anti-dilutive options has been excluded from this amount as required by IAS 33 *Earnings per share*

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.

14. 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.

	2015 $million	2014 $million
Operating income as reported	**15,289**	18,334
Items normalised:		
Fair value movements on own credit adjustment	**(495)**	(100)
Credit and funding valuation methodology adjustment	**863**	–
Gain on disposal of property	**(10)**	(49)
Net gain arising on sale of business	**(222)**	(13)
Fair value loss on business classified as held for sale	**4**	15
	140	(147)
Normalised operating income	**15,429**	18,187
Operating expenses as reported	**(11,173)**	(11,045)
Items normalised:		
Restructuring costs[1]	**695**	–
Amortisation of intangible assets arising on business combinations	**22**	40
Civil monetary penalty[2]	**–**	300
	717	340
Normalised operating expenses	**(10,456)**	(10,705)
Impairment losses on loans and advances and other impairment as reported	**(5,831)**	(3,302)
Items normalised:		
Impairment on loans and advances and other credit provisions[1]	**968**	–
Impairment of associates[1]	**46**	97
Impairment of fixed assets[1]	**10**	–
Impairment of acquired intangibles	**1**	8
Impairment of goodwill[1]	**488**	758
	1,513	863
Normalised impairment provisions	**(4,318)**	(2,439)
Taxation as reported	**(673)**	(1,530)
Tax on normalised items[3]	**(179)**	20
Normalised taxation	**(852)**	(1,510)
(Loss)/profit as reported[4]	**(2,360)**	2,512
Items normalised as above:		
Operating income	**140**	(147)
Operating expenses	**717**	340
Other impairment	**1,513**	863
Taxation	**(179)**	20
	2,191	1,076
Normalised (loss)/profit	**(169)**	3,588
Normalised basic (loss)/earnings per ordinary share (cents)	**(6.6)**	138.9[2]
Normalised diluted (loss)/earnings per ordinary share (cents)	**(6.6)**	138.1[2]

1. Includes charges relating to restructuring actions
2. In August 2014, Standard Chartered reached a settlement with the New York Department of Financial Services (NYDFS) regarding deficiencies in its anti-money laundering transaction surveillance system at the New York branch. There is no tax relief for this settlement
3. No tax is included in respect of the impairment of goodwill as no tax relief is available
4. The (loss)/profit represents the amount attributable to ordinary shareholders, which is (loss)/profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity (see note 13)

15. Financial instruments

Classification

The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The Group's classification of its financial assets and liabilities is summarised in the following tables.

		Assets at fair value				Assets at amortised cost			
Assets	Notes	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		**–**	**–**	**–**	**–**	**65,312**	**–**	**–**	**65,312**
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		**1,942**	**–**	**333**	**–**	**–**	**–**	**–**	**2,275**
Loans and advances to customers[1]		**3,008**	**–**	**1,039**	**–**	**–**	**–**	**–**	**4,047**
Treasury bills and other eligible bills	16	**859**	**–**	**–**	**–**	**–**	**–**	**–**	**859**
Debt securities	16	**12,896**	**–**	**389**	**–**	**–**	**–**	**–**	**13,285**
Equity shares	16	**2,237**	**–**	**698**	**–**	**–**	**–**	**–**	**2,935**
		20,942	**–**	**2,459**	**–**	**–**	**–**	**–**	**23,401**
Derivative financial instruments	17	**61,812**	**1,331**	**–**	**–**	**–**	**–**	**–**	**63,143**
Loans and advances to banks[1]	18	**–**	**–**	**–**	**–**	**64,494**	**–**	**–**	**64,494**
Loans and advances to customers[1]	19	**–**	**–**	**–**	**–**	**257,356**	**–**	**–**	**257,356**
Investment securities									
Treasury bills and other eligible bills	21	**–**	**–**	**–**	**32,453**	**–**	**–**	**–**	**32,453**
Debt securities	21	**–**	**–**	**–**	**77,684**	**2,700**	**210**	**–**	**80,594**
Equity shares	21	**–**	**–**	**–**	**1,720**	**–**	**–**	**–**	**1,720**
		–	**–**	**–**	**111,857**	**2,700**	**210**	**–**	**114,767**
Other assets	22	**–**	**–**	**–**	**–**	**32,408**	**–**	**2,193**	**34,601**
Total as at 31 December 2015		**82,754**	**1,331**	**2,459**	**111,857**	**422,270**	**210**	**2,193**	**623,074**
Cash and balances at central banks		–	–	–	–	97,282	–	–	97,282
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		3,368	–	242	–	–	–	–	3,610
Loans and advances to customers[1]		2,833	–	1,071	–	–	–	–	3,904
Treasury bills and other eligible bills	16	1,720	–	92	–	–	–	–	1,812
Debt securities	16	17,735	–	–	–	–	–	–	17,735
Equity shares	16	4,556	–	1,006	–	–	–	–	5,562
		30,212	–	2,411	–	–	–	–	32,623
Derivative financial instruments	17	64,111	1,723	–	–	–	–	–	65,834
Loans and advances to banks[1]	18	–	–	–	–	83,890	–	–	83,890
Loans and advances to customers[1]	19	–	–	–	–	284,695	–	–	284,695
Investment securities									
Treasury bills and other eligible bills	21	–	–	–	24,073	–	16	–	24,089
Debt securities	21	–	–	–	74,937	2,883	122	–	77,942
Equity shares	21	–	–	–	2,207	–	–	–	2,207
		–	–	–	101,217	2,883	138	–	104,238
Other assets	22	–	–	–	–	30,754	–	7,935	38,689
Total as at 31 December 2014		94,323	1,723	2,411	101,217	499,504	138	7,935	707,251

1. Further analysed in Risk and capital review on pages 162 to 181

15. Financial instruments continued

Liabilities	Notes	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		–	–	637	–	–	637
Customer accounts		–	–	8,494	–	–	8,494
Debt securities in issue		–	–	8,917	–	–	8,917
Short positions		2,824	–	–	–	–	2,824
		2,824	–	18,048	–	–	20,872
Derivative financial instruments	17	59,390	2,549	–	–	–	61,939
Deposits by banks		–	–	–	37,611	–	37,611
Customer accounts		–	–	–	350,633	–	350,633
Debt securities in issue	28	–	–	–	59,880	–	59,880
Other liabilities	29	–	–	–	31,525	486	32,011
Subordinated liabilities and other borrowed funds	30	–	–	–	21,852	–	21,852
Total as at 31 December 2015		62,214	2,549	18,048	501,501	486	584,798
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	932	–	–	932
Customer accounts		–	–	8,836	–	–	8,836
Debt securities in issue		–	–	8,837	–	–	8,837
Short positions		3,785	–	–	–	–	3,785
		3,785	–	18,605	–	–	22,390
Derivative financial instruments	17	61,896	1,417	–	–	–	63,313
Deposits by banks		–	–	–	54,391	–	54,391
Customer accounts		–	–	–	405,353	–	405,353
Debt securities in issue	28	–	–	–	71,951	–	71,951
Other liabilities	29	–	–	–	30,086	1,151	31,237
Subordinated liabilities and other borrowed funds	30	–	–	–	22,947	–	22,947
Total as at 31 December 2014		65,681	1,417	18,605	584,728	1,151	671,582

Valuation of financial instruments

All financial instruments are initially recognised at fair value on the date of recognition as described within the accounting policies in note 1. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs.

Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison to instruments with characteristics similar to those of the instruments held by the Group.

Valuation Control framework

The Valuation Control function is responsible for independent price verification, oversight of fair value adjustments and escalation of valuation issues. Independent price verification is the process of determining the valuations incorporated into the financial statements are validated independent of the Business area responsible for the product. The Valuation Control function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. In inactive markets, direct observation of a traded price may not be possible. The market data used for price verification may include those sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Control performs a semi-annual review of the suitability of the market data used for price testing.

Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

Formal committees for the business clusters, consisting of representatives from Group Market Risk, Product Control, Valuation Control and the Business meet monthly to discuss and approve the valuations of the inventory. The business cluster valuation committees fall under the Valuation Benchmarks Committee (VBC) as part the of the valuation governance structure.

Valuation hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values.

15. Financial instruments continued

Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

Level 1
Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2
Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3
Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy as at 31 December 2015 and 31 December 2014.

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	–	2,275	–	2,275
Loans and advances to customers	–	3,815	232	4,047
Treasury bills and other eligible bills	810	49	–	859
Debt securities	4,492	8,537	256	13,285
Of which:				
Government bonds	4,181	3,993	12	8,186
Issued by corporates other than financial institutions	21	2,555	141	2,717
Issued by financial institutions	290	1,989	103	2,382
Equity shares	2,122	–	813	2,935
Derivative financial instruments	736	61,929	478	63,143
Of which:				
Foreign exchange	67	46,901	291	47,259
Interest rate	1	11,735	9	11,745
Commodity	668	2,838	–	3,506
Credit	–	303	35	338
Equity and stock index	–	152	143	295
Investment securities				
Treasury bills and other eligible bills	28,978	3,393	82	32,453
Debt securities	34,868	42,559	257	77,684
Of which:				
Government bonds	20,435	10,356	53	30,844
Issued by corporates other than financial institutions	10,005	8,818	204	19,027
Issued by financial institutions	4,428	23,385	–	27,813
Equity shares	872	7	841	1,720
Total as at 31 December 2015	72,878	122,564	2,959	198,401

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	–	637	–	637
Customer accounts	–	8,493	1	8,494
Debt securities in issue	–	8,422	495	8,917
Short positions	1,222	1,602	–	2,824
Derivative financial instruments	695	60,925	319	61,939
Of which:				
Foreign exchange	86	47,681	246	48,013
Interest rate	–	11,913	38	11,951
Commodity	609	818	–	1,427
Credit	–	300	14	314
Equity and stock index	–	213	21	234
Total as at 31 December 2015	1,917	80,079	815	82,811

There have been no significant changes to valuation or levelling approaches in 2015.

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

15. Financial instruments 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	–	3,610	–	3,610
Loans and advances to customers	–	3,264	640	3,904
Treasury bills and other eligible bills	1,578	234	–	1,812
Debt securities	8,466	8,874	395	17,735
Of which:				
Government bonds	8,158	1,519	–	9,677
Issued by corporates other than financial institutions	84	2,861	187	3,132
Issued by financial institutions	224	4,494	208	4,926
Equity shares	4,754	–	808	5,562
Derivative financial instruments	759	64,500	575	65,834
Of which:				
Foreign exchange	40	43,665	379	44,084
Interest rate	–	15,157	47	15,204
Commodity	719	4,983	–	5,702
Credit	–	420	20	440
Equity and stock index	–	275	129	404
Investment securities				
Treasury bills and other eligible bills	20,895	3,178	–	24,073
Debt securities	30,696	43,881	360	74,937
Of which:				
Government bonds	16,321	6,053	66	22,440
Issued by corporates other than financial institutions	9,790	9,713	289	19,792
Issued by financial institutions	4,585	28,115	5	32,705
Equity shares	1,248	6	953	2,207
Total as at 31 December 2014	68,396	127,547	3,731	199,674

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	–	932	–	932
Customer accounts	–	8,835	1	8,836
Debt securities in issue	–	8,629	208	8,837
Short positions	3,267	518	–	3,785
Derivative financial instruments	863	62,154	296	63,313
Of which:				
Foreign exchange	102	44,814	240	45,156
Interest rate	–	13,677	16	13,693
Commodity	761	2,161	–	2,922
Credit	–	955	10	965
Equity and stock index	–	547	30	577
Total as at 31 December 2014	4,130	81,068	505	85,703

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year. There have been no significant changes to valuation or levelling approaches in 2014.

Valuation techniques

Loans and advances

These include loans in the global syndications underwriting book which are not syndicated yet. These loans are generally bilateral in nature and their valuation is primarily based on recent trades or proxies, i.e. comparable loans with similar credit grade or sector. Products are classified as Level 2 in cases where observable credit spreads applicable to those products are available. Where there are no recent transactions and reliable comparable loans to proxy from, the valuation of these loans is based on unobservable inputs resulting in them being classified as Level 3.

Debt securities – asset backed securities

Due to the lack of liquidity in the market and the prolonged period of time under which many securities have not traded, relying on external prices only is not a strong enough measure to determine whether an asset has an observable price or not. Therefore, once external pricing has been verified, an assessment is made whether each security is traded with significant liquidity based on its credit rating and sector. If a security is of high credit rating and is traded in a liquid sector, it will be classified as Level 2; otherwise it will be classified as Level 3. Where third-party pricing is not available, the valuation of the security will be estimated from market standard cash flow models with input parameter assumptions, which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings. These securities are also classified as Level 3.

15. Financial instruments continued

Other debt securities

These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuation of these debt securities is implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

Equity shares – Private Equity

The majority of private equity unlisted investments are valued based on earning multiples – Price-to-Earnings (P/E) or Enterprise Value to Earning before Income Tax, Depreciation and Amortisation (EV/EBITDA) ratios – of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. In circumstances where an investment does not have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternate valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or Level 3 inputs, may be applied. Even though earning multiples for the comparable listed companies can be sourced from third-party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, OTC prices) are classified as Level 3 on the basis that the valuation methods involve judgements ranging from determining comparable companies to discount rates where the discounted cash flow method is applied.

Derivatives

Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. These unobservable correlation parameters could only be implied from the market, through methods such as historical analysis and comparison to historical levels or benchmark data.

Debt securities in issue

These debt securities relate to structured notes issued by the Group. Where independent market data is available through pricing vendors and broker sources these positions are classified as Level 2. Where such liquid external prices are not available, valuation of these debt securities are implied using input parameters such as bond spreads and credit spreads, and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. In total, the Group has made $1,435 million (2014: $432 million) of valuation adjustments in determining fair value for financial assets and financial liabilities. The main adjustments are described below:

Valuation adjustments	2015 $million	2014 $million
Bid-offer	72	66
Credit[1]	815	160
Model	13	14
Funding valuation adjustment	366	111
Others (including Day 1)	169	81
Total	**1,435**	432

1. Includes own debit valuation adjustments on derivatives

Bid-offer valuation adjustments

Where market parameters are marked on a mid-market basis in the revaluation systems, a bid-offer valuation adjustment is required to quantify the expected cost of neutralising the Business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the grouping of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems.

Credit valuation adjustments

The Group makes a credit valuation adjustment (CVA) against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by applying the probability of default (PD) on the potential estimated future positive exposure of the counterparty using market-implied PD. Where market-implied data is not readily available, we use market based proxies to estimate the PD. The methodologies do not, in general, account for 'wrong-way risk'. Wrong-way risk arises when the underlying value of the derivative prior to any CVA is positively correlated to the probability of default by the counterparty. The Group continues to include 'wrong-way risk' in its Prudential Valuation Adjustments. The CVA calculation was previously based on an expected counterparty loss calculation using historical default probabilities. As at 31 December 2015, the calculation was revised to use market-implied PD. The change in estimate reduced net trading income by $712 million.

15. Financial instruments continued

Own credit adjustments

The Group calculates own credit adjustments to reflect changes in its own credit standing. The Group's own credit adjustments are calculated on its derivative liabilities and issued debt designated at fair value, including structured notes. The Group's own credit adjustments will increase if its credit standing worsens and, conversely, decrease if its credit standing improves. The Group's own credit adjustments will reverse over time as its liabilities mature.

For derivative liabilities, an own credit adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on internally assessed credit ratings and market standard recovery levels. The expected exposure is modelled based on simulation methodology and is generated through simulation of underlying risk factors over the life of the deal booked against the particular counterparty. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements. The methodology used to determine an own credit adjustment on derivative liabilities is consistent with the methodology used to determine credit valuation adjustment (CVA) on derivative assets.

For issued debt and structured notes designated at fair value, an own credit adjustment is determined by discounting the contractual cash flows using a yield curve adjusted for market observed secondary senior debt issuance spreads above average interbank rates.

Model valuation adjustments

Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model.

Funding valuation adjustment

The Group makes a funding valuation adjustment (FVA) against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for collateralised derivatives is based on discounting the expected future cash flows at the relevant overnight indexed swap (OIS) rate after taking into consideration the terms of the underlying collateral agreement with the counterparty. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions. The FVA calculation was previously based on the Bank's internal funding rates. As at 31 December 2015, the calculation was revised to use market based rates. The change in estimate reduced net trading income by $151 million.

Day one profit and loss

A financial instrument is initially recognised at fair value, which is generally its transaction price. In cases where the value obtained from the relevant valuation model differs from the transaction price, we record the asset or liability based on our valuation model, but do not recognise that initial difference in profit and loss unless the inputs to the valuation model are observable.

15. Financial instruments continued

Level 3 movement tables – financial assets

The table below analyses movements in Level 3 financial assets carried at fair value.

Assets	Held at fair value through profit or loss					Investment securities			
	Loans and advances to customers $million	Treasury bills $million	Debt securities $million	Equity shares $million	Derivative financial instruments $million	Treasury bills $million	Debt securities $million	Equity shares $million	Total $million
As at 1 January 2015	640	–	395	808	575	–	360	953	3,731
Total (losses)/gains recognised in income statement	(441)	–	5	(75)	22	–	(17)	(24)	(530)
Net trading income	(441)	–	5	(75)	22	–	–	19	(470)
Other operating income	–	–	–	–	–	–	–	30	30
Impairment charge	–	–	–	–	–	–	(17)	(73)	(90)
Total losses recognised in other comprehensive income	–	–	–	–	(4)	(1)	(49)	(20)	(74)
Available-for-sale reserve	–	–	–	–	–	–	(29)	(15)	(44)
Exchange difference	–	–	–	–	(4)	(1)	(20)	(5)	(30)
Purchases	3	–	80	375	101	44	–	398	1,001
Sales	–	–	(161)	(357)	(72)	–	(116)	(304)	(1,010)
Settlements	–	–	(25)	–	(81)	(22)	(52)	–	(180)
Transfers out	–	–	(185)	–	(78)	(78)	(123)	(162)	(626)
Transfers in	30	–	147	62	15	139	254	–	647
As at 31 December 2015	232	–	256	813	478	82	257	841	2,959
Total (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held as at 31 December 2015	(430)	–	6	(66)	33	–	(17)	1	(473)

Transfers out during the year primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets.

Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the year.

Assets	Held at fair value through profit or loss				Investment securities			
	Loans and advances to customers $million	Debt securities $million	Equity shares $million	Derivative financial instruments $million	Treasury bills $million	Debt securities $million	Equity shares $million	Total $million
As at 1 January 2014	720	159	904	598	19	608	1,456	4,464
Total (losses)/gains recognised in income statement	(181)	7	(107)	(12)	–	(10)	191	(112)
Net trading income	(181)	7	(107)	(12)	–	–	–	(293)
Other operating income	–	–	–	–	–	–	207	207
Other impairment charge	–	–	–	–	–	(10)	(16)	(26)
Total losses recognised in other comprehensive income	–	–	–	–	–	(66)	(144)	(210)
Available-for-sale reserve	–	–	–	–	–	(40)	(138)	(178)
Exchange difference	–	–	–	–	–	(26)	(6)	(32)
Purchases	192	273	444	92	–	17	314	1,332
Sales	(231)	(38)	(241)	(6)	–	(83)	(880)	(1,479)
Settlements	(61)	(19)	–	(107)	–	(34)	–	(221)
Transfers out	(6)	(3)	(192)	(3)	(19)	(127)	–	(350)
Transfers in	207	16	–	13	–	55	16	307
As at 31 December 2014	640	395	808	575	–	360	953	3,731
Total (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held as at 31 December 2014	(154)	5	54	29	–	(37)	(16)	(119)

Transfers out during the year primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets.

Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the years.

15. Financial instruments continued

Level 3 movement tables – financial liabilities

Liabilities	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
As at 1 January 2015	**1**	**208**	**296**	**505**
Total losses recognised in income statement	**–**	**11**	**6**	**17**
Net trading income	**–**	**11**	**6**	**17**
Issues	**–**	**310**	**40**	**350**
Settlements	**–**	**(176)**	**(26)**	**(202)**
Transfers out	**–**	**–**	**(3)**	**(3)**
Transfers in	**–**	**142**	**6**	**148**
As at 31 December 2015	**1**	**495**	**319**	**815**
Total losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held as at 31 December 2015	**–**	**–**	**16**	**16**
As at 1 January 2014	8	39	441	488
Total losses/(gains) recognised in income statement	–	3	(18)	(15)
Net trading income	–	3	(18)	(15)
Issues	–	159	27	186
Settlements	(7)	(24)	(152)	(183)
Transfers in	–	31	(2)	29
As at 31 December 2014	1	208	296	505
Total losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held as at 31 December 2014	–	–	29	29

Transfers out during the year primarily relate to certain financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities.

Transfers in during the year primarily relate to certain financial instruments for which parameters became unobservable during the year.

The following table presents the Group's primary Level 3 financial instruments, which are held at fair value. The table also presents 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:

Instrument	Value as at 31 December 2015 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to customers	**232**	**1**	Comparable pricing/yield	Price/yield	17.2% to 27.5%	24.0%
				Recovery rates	8.0% to 74.0%	35.1%
Debt securities[2]	**427**	**–**	Comparable pricing/yield	Price/yield	4.5% to 10.0%	6.5%
Asset backed securities	**21**	**–**	Discounted cash flows	Price/yield	1.5% to 2.1%	1.7%
Debt securities in issue	**–**	**495**	Internal pricing model	Equity correlation	-35.0% to 98.0%	N/A
			Discounted cash flows	Credit spreads	0.7% to 4.0%	3.4%
Government bonds	**147**	**–**	Discounted cash flows	Price/yield	2.4% to 7.0%	5.1%
			Comparable pricing/yield	Price/yield	91.6% to 101.1%	96.6%
Derivative financial instruments of which:						
Foreign exchange	**291**	**246**	Option pricing model	Foreign exchange option implied volatility	5.1% to 8.6%	7.0%
Interest rate	**9**	**38**	Discounted cash flows	Interest rate curves	0.3% to 10.7%	4.6%
			Spread option model	Interest rate correlation	97.9% to 98.3%	98.1%
Credit	**35**	**14**	Discounted cash flows	Credit spreads	0.1% to 4.0%	1.9%
Equity	**143**	**21**	Internal pricing model	Equity correlation	-35.0% to 98.0%	N/A
Equity shares (includes private equity investments)	**1,654**	**–**	Comparable pricing/yield	EV/EBITDA multiples	7.8x to 13.7x	10.1x
				P/E multiples	13.9x to 19.5x	16.3x
				Liquidity discount	10.0% to 20.0%	14.2%
			Discounted cash flows	Discount rates	10.6% to 29.3%	13.0%
Total	**2,959**	**815**				

1. The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2015. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments
2. Weighted average for non-derivative financial instruments have been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

15. Financial instruments continued

The following section describes the significant unobservable inputs identified in the valuation technique table.

Credit spreads

Credit spreads represent the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument.

Recovery rates

Recovery rate is the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan.

Comparable price/yield

Comparable pricing is a valuation methodology in which a price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future cash flows in a discounted cash flow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (e.g. deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset.

Correlation

Correlation is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments while an interest rate correlation refers to the correlation between two swap rates.

Volatility

Volatility represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be.

Interest rate curves

Interest rate curve is the term structure of interest rates and measure of future interest rates at a particular point of time.

EV/EBITDA ratio multiples

This is the ratio of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA). EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiple in isolation will result in a favourable movement in the fair value of the unlisted firm.

Price-Earnings (P/E) multiples

P/E multiple is the ratio of the market capitalisation to the net income after tax. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm.

Liquidity discounts in the valuation of unlisted investments

A liquidity discount is primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result in unfavourable movement in the fair value of the unlisted firm.

15. Financial instruments continued

Sensitivities in respect of the fair values of Level 3 assets and liabilities

Sensitivity analysis is performed on products with significant unobservable inputs. We apply a 10 per cent increase or decrease on the values of these unobservable, reasonably possible alternatives that could have increased fair values of financial instruments inputs, in order to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analyses performed on a set of reference prices based on the composition of our Level 3 assets. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This Level 3 sensitivity analysis assumes a one way market move and does not consider offsets for hedges.

	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	**256**	**261**	**251**	**257**	**266**	**247**
Equity shares	**813**	**895**	**731**	**841**	**937**	**745**
Loans and advances	**231**	**259**	**217**	**–**	**–**	**–**
Treasury bills	**–**	**–**	**–**	**82**	**83**	**81**
Derivative financial instruments	**159**	**423**	**(106)**	**–**	**–**	**–**
Debt securities in issue	**(495)**	**(482)**	**(508)**	**–**	**–**	**–**
As at 31 December 2015	**964**	**1,356**	**585**	**1,180**	**1,286**	**1,073**
Financial instruments held at fair value						
Debt securities	395	404	385	360	386	337
Equity shares	808	889	727	953	1,048	858
Loans and advances	639	661	620	–	–	–
Treasury bills	–	–	–	–	–	–
Derivative financial instruments	279	334	222	–	–	–
Debt securities in issue	(208)	(202)	(214)	–	–	–
As at 31 December 2014	1,913	2,086	1,740	1,313	1,434	1,195

The reasonably possible alternatives could have increased or decreased the fair values of financial instruments held at fair value through profit or loss and those classified as available-for-sale by the amounts disclosed below.

Financial instruments	Fair value changes	2015 $million	2014 $million
Designated at fair value through profit or loss	Possible increase	**392**	173
	Possible decrease	**(379)**	(173)
Available-for-sale	Possible increase	**106**	121
	Possible decrease	**(107)**	(118)

Valuation of financial instruments measured at amortised cost on a recurring basis

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. These fair values may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

		Fair value			
	Carrying value $million	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	**65,312**	**–**	**65,312**	**–**	**65,312**
Loans and advances to banks	**64,494**	**–**	**64,522**	**161**	**64,683**
Loans and advances to customers	**257,356**	**–**	**6,547**	**250,334**	**256,881**
Investment securities	**2,910**	**–**	**2,836**	**71**	**2,907**
Other assets[1]	**32,408**	**–**	**32,409**	**–**	**32,409**
As at 31 December 2015	**422,480**	**–**	**171,626**	**250,566**	**422,192**
Liabilities					
Deposits by banks	**37,611**	**–**	**38,058**	**–**	**38,058**
Customer accounts	**350,633**	**–**	**350,614**	**–**	**350,614**
Debt securities in issue	**59,880**	**17,612**	**42,230**	**–**	**59,842**
Subordinated liabilities and other borrowed funds	**21,852**	**20,495**	**426**	**–**	**20,921**
Other liabilities[1]	**31,525**	**–**	**31,525**	**–**	**31,525**
As at 31 December 2015	**501,501**	**38,107**	**462,853**	**–**	**500,960**

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

15. Financial instruments continued

	Carrying value $million	Fair value Level 1 $million	Fair value Level 2 $million	Fair value Level 3 $million	Fair value Total $million
Assets					
Cash and balances at central banks[1]	97,282	–	97,282	–	97,282
Loans and advances to banks	83,890	–	83,843	180	84,023
Loans and advances to customers	284,695	–	5,450	278,398	283,848
Investment securities	3,021	–	3,031	28	3,059
Other assets[1]	30,754	–	30,753	–	30,753
As at 31 December 2014	499,642	–	220,359	278,606	498,965
Liabilities					
Deposits by banks	54,391	–	54,427	–	54,427
Customer accounts	405,353	–	405,879	–	405,879
Debt securities in issue	71,951	19,119	52,682	–	71,801
Subordinated liabilities and other borrowed funds	22,947	20,549	1,880	–	22,429
Other liabilities[1]	30,086	–	30,086	–	30,086
As at 31 December 2014	584,728	39,668	544,954	–	584,622

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

Analysis of loans and advances to customers by client segment

	2015 Carrying value Impaired $million	Carrying value Not impaired $million	Carrying value Total $million	Fair value Impaired $million	Fair value Not impaired $million	Fair value Total $million
Corporate & Institutional Clients	**5,156**	**131,177**	**136,333**	**5,204**	**131,565**	**136,769**
Commercial Clients	**498**	**10,609**	**11,107**	**503**	**9,859**	**10,362**
Private Banking Clients	**322**	**14,746**	**15,068**	**322**	**14,745**	**15,067**
Retail Clients	**493**	**94,355**	**94,848**	**506**	**94,177**	**94,683**
As at 31 December	**6,469**	**250,887**	**257,356**	**6,535**	**250,346**	**256,881**

	2014 Carrying value Impaired $million	Carrying value Not impaired $million	Carrying value Total $million	Fair value Impaired $million	Fair value Not impaired $million	Fair value Total $million
Corporate & Institutional Clients	3,238	150,828	154,066	3,246	150,434	153,680
Commercial Clients	545	14,106	14,651	545	14,085	14,630
Private Banking Clients	32	18,024	18,056	32	18,028	18,060
Retail Clients	388	97,534	97,922	391	97,087	97,478
As at 31 December	4,203	280,492	284,695	4,214	279,634	283,848

15. Financial instruments continued

Analysis of loans and advances to customers by geographical segment

	2015					
	Carrying value			Fair value		
	Impaired $million	Not impaired $million	Total $million	Impaired $million	Not impaired $million	Total $million
Greater China	567	75,329	75,896	566	74,858	75,424
North East Asia	87	28,492	28,579	87	28,491	28,578
South Asia	556	12,021	12,577	556	12,003	12,559
ASEAN	1,043	63,041	64,084	1,084	63,315	64,399
MENAP	714	14,816	15,530	714	14,809	15,523
Africa	327	6,394	6,721	352	6,363	6,715
Americas	13	9,753	9,766	14	9,465	9,479
Europe	3,162	41,041	44,203	3,162	41,042	44,204
As at 31 December	6,469	250,887	257,356	6,535	250,346	256,881

	2014					
	Carrying value			Fair value		
	Impaired $million	Not impaired $million	Total $million	Impaired $million	Not impaired $million	Total $million
Greater China	480	86,691	87,171	480	86,173	86,653
North East Asia	141	29,415	29,556	141	29,434	29,575
South Asia	684	13,390	14,074	683	13,369	14,052
ASEAN	324	74,442	74,766	324	74,231	74,555
MENAP	1,357	17,151	18,508	1,367	17,150	18,517
Africa	364	7,996	8,360	366	8,026	8,392
Americas	37	10,811	10,848	37	10,655	10,692
Europe	816	40,596	41,412	816	40,596	41,412
As at 31 December	4,203	280,492	284,695	4,214	279,634	283,848

The following sets out the Group's basis of establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not traded, there is a significant level of management judgement involved in calculating the fair values.

Cash and balances at central banks

The fair value of cash and balances at central banks is their carrying amounts.

Loans and advances to banks and customers

For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar credit risk and remaining maturity.

The Group's loans and advances to customers portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio reprices within one month, and approximately half reprices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and, where appropriate, credit spreads. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical.

Investment securities

For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using inputs proxied from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or inputs proxied from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relate to asset backed securities. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows. The Group has a wide range of individual investments within the unlisted debt securities portfolio. Given the number of instruments involved, providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material.

Deposits and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity. Following the adoption of IFRS 13 the Group also adjusts the fair value of deposits and borrowings for own credit adjustment using the principles described above.

15. Financial instruments continued

Debt securities in issue, subordinated liabilities and other borrowed funds

The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity.

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.

For assets reclassified:	Carrying amount as at 31 December 2015 $million	Fair value as at 31 December 2015 $million	If assets had not been reclassified, fair value gains from 1 January 2015 to 31 December 2015 that would have been recognised within		Income recognised in income statement $million	Effective interest rate at date of reclassification %	Estimated amounts of expected cash flows $million
			Income $million	AFS reserve $million			
From trading to AFS	–	–	–	–	3	6.4	–
From trading to loans and receivables	35	36	1	–	3	5.3	39
From AFS to loans and receivables	88	84	–	(3)	11	5.6	120
	123	120	1	(3)	17		
Of which asset backed securities:							
reclassified to AFS	–	–	–	–	3		
reclassified to loans and receivables	100	99	2	(3)	14		

For assets reclassified:	Carrying amount as at 31 December 2014 $million	Fair value as at 31 December 2014 $million	If assets had not been reclassified, fair value gains from 1 January 2014 to 31 December 2014 that would have been recognised within		Income recognised in income statement $million	Effective interest rate at date of reclassification %	Estimated amounts of expected cash flows $million
			Income $million	AFS reserve $million			
From trading to AFS	38	38	2[1]	–	1	8.7	54
From trading to loans and receivables	99	95	2	–	7	6.0	108
From AFS to loans and receivables	243	260	–	6	25	5.5	162
	380	393	4	6	33		
Of which asset backed securities:							
reclassified to AFS	38	38	2[1]	–	1		
reclassified to loans and receivables	316	334	2	6	29		

1. Post-reclassification, the gain is recognised within the available-for-sale reserve

15. Financial instruments continued

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	–	98	–	98
Debt securities	487	520	–	1,007
Off-balance sheet				
Repledged collateral received	491	–	21,694	22,185
As at 31 December 2015	978	618	21,694	23,290

Balance sheet liabilities – repurchase agreements	
Deposits by banks	7,598
Customer accounts	13,008
As at 31 December 2015	20,606

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	342	90	–	432
Debt securities	1,375	1,787	–	3,162
Off-balance sheet				
Repledged collateral received	376	–	14,465	14,841
As at 31 December 2014	2,093	1,877	14,465	18,435

Balance sheet liabilities – repurchase agreements	
Deposits by banks	9,984
Customer accounts	6,324
As at 31 December 2014	16,308

15. Financial instruments continued

Reverse repurchase agreements

The Group also undertakes reverse repurchase (reverse repo) lending agreements with counterparties, typically financial institutions, in exchange for collateral. Reverse repo agreements entitle the Group to have recourse to assets similar to those received as collateral in the event of a default. In addition, the Group also obtains collateral on terms that permit the Group to repledge or resell the collateral to others. The Group does not recognise the securities bought under reverse repos as collateral on its balance sheet as the Group is not substantially entitled to the risks and rewards associated with those assets and instead recognises the lending as loans and advances to banks or customers, as appropriate. The Group's reverse repos as at 31 December 2015 and 31 December 2014 are set out in the table below.

Balance sheet assets – reverse repurchase agreements

	2015 $million	2014 $million
Loans and advances to banks	17,330	18,435
Loans and advances to customers	15,307	11,421
	32,637	29,856

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

	2015 $million	2014 $million
Securities and collateral received (at fair value)	53,357	33,742
Securities and collateral which can be repledged or sold (at fair value)	52,841	27,910
Thereof repledged/transferred to others for financing activities, to satisfy commitments under short sale transactions or liabilities under sale and repurchase agreements (at fair value)	22,185	14,841

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 as at 31 December 2015 and 31 December 2014 respectively.

	2015		2014	
	Carrying value $million	Fair value $million	Carrying value $million	Fair value $million
Loans and advances to customers	76	76	27	27
Securitisation liability	43	43	28	28
Net	33	33	(1)	(1)

The Group did not undertake any transactions that required the recognition of an asset representing continuing involvement in financial assets.

15. 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 obtains (legally purchase) respectively, highly liquid assets which can be sold in the event of a default.

The following tables set out the following:

Impact of netting on the balance sheet. This comprises derivative transactions settled through an enforceable netting agreement where we have the intent and ability to settle net and which are offset on the balance sheet.

Related amounts not offset in the balance sheet. This comprises:

- Financial instruments not offset in the balance sheet, but covered by an enforceable netting arrangement. This comprises master netting arrangements held against derivative financial instruments and excludes the effect of over-collateralisation
- Financial collateral. This comprises cash collateral pledged and received for derivative financial instruments and collateral bought and sold for reverse repurchase and repurchase agreements respectively and excludes the effect of over-collateralisation

	2015					
				Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Financial instruments $million	Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	**69,872**	**(6,729)**	**63,143**	**(38,934)**	**(10,074)**	**14,135**
Reverse repurchase agreements	**32,637**	**–**	**32,637**	**–**	**(32,637)**	**–**
As at 31 December 2015	**102,509**	**(6,729)**	**95,780**	**(38,934)**	**(42,711)**	**14,135**
Liabilities						
Derivative financial instruments	**68,668**	**(6,729)**	**61,939**	**(38,934)**	**(13,430)**	**9,575**
Sale and repurchase liabilities	**20,606**	**–**	**20,606**	**–**	**(20,606)**	**–**
As at 31 December 2015	**89,274**	**(6,729)**	**82,545**	**(38,934)**	**(34,036)**	**9,575**

	2014					
				Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Financial instruments $million	Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	74,272	(8,438)	65,834	(43,735)	(7,005)	15,094
Reverse repurchase agreements	29,856	–	29,856	–	(29,856)	–
As at 31 December 2014	104,128	(8,438)	95,690	(43,735)	(36,861)	15,094
Liabilities						
Derivative financial instruments	71,751	(8,438)	63,313	(43,735)	(10,311)	9,267
Sale and repurchase liabilities	16,308	–	16,308	–	(16,308)	–
As at 31 December 2014	88,059	(8,438)	79,621	(43,735)	(26,619)	9,267

16. 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 $1,372 million (2014: $1,313 million).

The net fair value gain on loans and advances to customers designated at fair value through profit or loss was $2 million (2014: $78 million). Of this, $nil (2014: $nil) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was $3 million (2014: $3 million).

The changes in fair value attributable to credit risk has been determined by comparing fair value movements in risk-free bonds with similar maturities to the changes in fair value of loans designated at fair value through profit or loss.

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

	2015			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	8,091			
Other public sector securities	88			
	8,179			
Issued by banks:				
Certificates of deposit	87			
Other debt securities	1,327			
	1,414			
Issued by corporate entities and other issuers:				
Other debt securities	3,692			
Total debt securities	13,285			
Of which:				
Listed on a recognised UK exchange	116	–	–	116
Listed elsewhere	8,516	1,648	282	10,446
Unlisted	4,653	1,287	577	6,517
	13,285	2,935	859	17,079
Market value of listed securities	8,632	1,648	282	10,562

	2014			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	9,677			
Other public sector securities	141			
	9,818			
Issued by banks:				
Certificates of deposit	2,975			
Other debt securities	1,222			
	4,197			
Issued by corporate entities and other issuers:				
Other debt securities	3,720			
Total debt securities	17,735			
Of which:				
Listed on a recognised UK exchange	126	71	–	197
Listed elsewhere	7,419	3,876	572	11,867
Unlisted	10,190	1,615	1,240	13,045
	17,735	5,562	1,812	25,109
Market value of listed securities	7,545	3,948	572	12,065

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 $104 million for the year (2014: net loss of $734 million). The amount includes $495 million (2014: $100 million) relating to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was a gain of $691 million (2014: gain of $196 million). The change in fair value attributable to credit risk was determined by comparing fair value movements in risk-free debt instruments with similar maturities to the changes in fair value of liabilities designated at fair value through profit or loss.

17. 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.

Derivatives	2015 Notional principal amounts $million	2015 Assets $million	2015 Liabilities $million	2014 Notional principal amounts $million	2014 Assets $million	2014 Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**1,846,097**	**20,379**	**20,013**	1,611,476	19,265	20,649
Currency swaps and options	**1,325,425**	**26,880**	**28,000**	1,589,989	24,819	24,507
Exchange traded futures and options	**454**	**–**	**–**	300	–	–
	3,171,976	**47,259**	**48,013**	3,201,765	44,084	45,156
Interest rate derivative contracts:						
Swaps	**2,121,493**	**10,810**	**10,780**	2,264,473	14,325	12,874
Forward rate agreements and options	**72,776**	**935**	**1,171**	186,796	879	819
Exchange traded futures and options	**586,588**	**–**	**–**	1,313,920	–	–
	2,780,857	**11,745**	**11,951**	3,765,189	15,204	13,693
Credit derivative contracts	**23,561**	**338**	**314**	32,055	440	965
Equity and stock index options	**9,384**	**295**	**234**	16,585	404	577
Commodity derivative contracts	**96,984**	**3,506**	**1,427**	130,058	5,702	2,922
Total derivatives	**6,082,762**	**63,143**	**61,939**	7,145,652	65,834	63,313

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 only presented net in these accounts where they are subject to legal right of offset and intended to be settled net in the ordinary course of business. Details of the amounts available for offset are set out in note 15 on page 281.

The Derivatives and Hedging sections of the Risk and capital review on page 190 explain the Group's risk management of derivative contracts and application of hedging.

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.

	2015 Notional principal amounts $million	2015 Assets $million	2015 Liabilities $million	2014 Notional principal amounts $million	2014 Assets $million	2014 Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	**52,826**	**736**	**233**	48,427	671	335
Forward foreign exchange contracts	**5**	**–**	**–**	12	1	–
Currency swaps	**29,199**	**510**	**2,247**	30,953	905	892
	82,030	**1,246**	**2,480**	79,392	1,577	1,227
Derivatives designated as cash flow hedges:						
Interest rate swaps	**8,777**	**3**	**20**	9,465	5	17
Forward foreign exchange contracts	**1,589**	**3**	**46**	2,375	4	75
Currency swaps	**2,621**	**40**	**3**	6,524	62	98
	12,987	**46**	**69**	18,364	71	190
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**1,339**	**39**	**–**	1,098	75	–
Total derivatives held for hedging	**96,356**	**1,331**	**2,549**	98,854	1,723	1,417

17. Derivative financial instruments continued

Fair value hedges

The swaps exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match the floating rates paid on funding.

For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged item, both of which are recognised in profit and loss. In respect of fair value hedges, net losses arising on the hedging instruments during the year were $192 million (2014: net gains of $1,272 million) compared to net gains arising on the hedged items of $198 million (2014: net losses of $1,301 million).

Cash flow hedges

The Group uses interest rate swaps to manage the variability in future cash flows on assets and liabilities that have floating rates of interest by exchanging the floating rates for fixed rates. It also uses foreign exchange contracts, currency swaps and options to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies.

Gains and losses arising on the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit and loss, at which time the gains or losses are transferred to profit and loss.

	2015 $million	2014 $million
Losses reclassified from reserves to income statement	(107)	(13)
Losses recognised in operating costs	(118)	(13)
Gain recognised in net income	11	–

The Group has hedged the following cash flows which are expected to impact the income statement in the following years:

2015	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	55	49	30	26	12	–	172
Forecast payable cash flows	(1,504)	(10)	(5)	(1)	–	–	(1,520)
	(1,449)	39	25	25	12	–	(1,348)

2014	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	99	54	34	10	2	–	199
Forecast payable cash flows	(1,654)	(22)	(11)	(4)	(1)	–	(1,692)
	(1,555)	32	23	6	1	–	(1,493)

Net investment hedges

The Group uses a combination of foreign exchange contracts and non-derivative financial assets to manage the variability in future exchange rates on its net investments in foreign currencies. Gains and losses arising on the effective portion of the hedges are deferred in equity until the net investment is disposed of. During the year, $nil (2014: $nil) was recognised in the income statement in respect of ineffectiveness arising on net investment hedges.

18. Loans and advances to banks

	2015 $million	2014 $million
Loans and advances to banks	66,933	87,601
Individual impairment provision	(163)	(99)
Portfolio impairment provision	(1)	(2)
	66,769	87,500
Of which: loans and advances held at fair value through profit or loss (note 15)	(2,275)	(3,610)
	64,494	83,890[1]

1. Loans and advances to banks (net of provision) totalling $nil (2014: $260 million) has been reclassified and disclosed as held for sale in note 22

Analysis of loans and advances to banks by geographic region as set out in the Risk and capital review on page 163.

19. Loans and advances to customers

	2015 $million	2014 $million
Loans and advances to customers	**268,083**	292,571
Individual impairment provision	**(6,023)**	(3,276)
Portfolio impairment provision	**(657)**	(696)
	261,403	288,599
Of which: loans and advances held at fair value through profit or loss (note 15)	**(4,047)**	(3,904)
	257,356	284,695[1]

1. Loans and advances to customers (net of provision) totalling $nil (2014: $2.7 billion) has been reclassified and disclosed as held for sale in note 22

The Group has outstanding residential mortgage loans to Korea residents of $13.4 billion (2014: $12.9 billion) and Hong Kong residents of $27.7 billion (2014: $25.5 billion).

Analysis of loans and advances to customers by geographic region and client segments and related impairment provisions as set out within the Risk and capital review on pages 163 to 181.

20. Assets leased to customers

Finance leases and instalment credit

	2015 $million	2014 $million
Finance leases	**364**	423
Instalment credit agreements	**687**	907
	1,051	1,330

The above assets are included within loans and advances to customers. The cost of assets acquired during the year for leasing to customers under finance leases and instalment credit agreements amounted to $269 million (2014: $444 million).

	2015 $million	2014 $million
Minimum lease receivables under finance leases falling due:		
Within one year	**50**	167
Later than one year and less than five years	**248**	204
After five years	**144**	137
	442	508
Interest income relating to future periods	**(78)**	(85)
Present value of finance lease receivables	**364**	423
Of which:		
Falls due within one year	**37**	156
Falls due later than one year and less than five years	**220**	167
Falls due after five years	**107**	100

Operating lease assets

Assets leased to customers under operating leases consist of commercial aircraft and ships which are included within property, plant and equipment in note 26. As at 31 December 2015 these assets had a net book value of $5,514 million (2014: $6,085 million).

	2015 $million	2014 $million
Minimum lease receivables under operating leases falling due:		
Within one year	**588**	619
Later than one year and less than five years	**2,042**	1,874
After five years	**1,427**	2,111
	4,057	4,604

21. Investment securities

	2015					
	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	159	35,086	–			
Other public sector securities	–	2,215	37			
	159	37,301	37			
Issued by banks:						
Certificates of deposit	–	4,076	–			
Other debt securities	–	22,110	15			
	–	26,186	15			
Issued by corporate entities and other issuers:						
Other debt securities	51	14,197	2,648			
Total debt securities	210	77,684	2,700			
Of which:						
Listed on a recognised UK exchange	–	15,992	120[1]	8	2,057	18,177
Listed elsewhere	51	31,837	483[1]	782	14,703	47,856
Unlisted	159	29,855	2,097	930	15,693	48,734
	210	77,684	2,700	1,720	32,453	114,767
Market value of listed securities	51	47,829	603	790	16,760	66,033

	2014					
	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	62	28,296	–			
Other public sector securities	–	926	10			
	62	29,222	10			
Issued by banks:						
Certificates of deposit	–	6,236	–			
Other debt securities	–	23,155	17			
	–	29,391	17			
Issued by corporate entities and other issuers:						
Other debt securities	60	16,324	2,856			
Total debt securities	122	74,937	2,883			
Of which:						
Listed on a recognised UK exchange	–	8,971	96[1]	256	–	9,323
Listed elsewhere	–	27,580	505[1]	974	10,898	39,957
Unlisted	122	38,386	2,282	977	13,191	54,958
	122	74,937	2,883	2,207	24,089	104,238
Market value of listed securities	–	36,551	601	1,230	10,898	49,280

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

Equity shares largely comprise investments in corporates.

21. Investment securities continued

The change in the carrying amount of investment securities comprised:

	2015				2014			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
As at 1 January	77,942	2,207	24,089	104,238	73,374	3,099	26,243	102,716
Exchange translation differences	(2,868)	(4)	(966)	(3,838)	(2,411)	(5)	(693)	(3,109)
Additions	132,800	375	76,300	209,475	135,920	224	59,910	196,054
Maturities and disposals	(127,184)	(699)	(67,244)	(195,127)	(129,202)	(1,173)	(61,680)	(192,055)
Transfers to assets held for sale	–	–	–	–	(18)	(1)	(1)	(20)
Impairment, net of recoveries on disposal	(71)	(124)	–	(195)	(119)	(41)	–	(160)
Changes in fair value (including the effect of fair value hedging)	14	(34)	(7)	(27)	478	104	23	605
Amortisation of discounts and premiums	(39)	(1)	281	241	(80)	–	287	207
As at 31 December	80,594	1,720	32,453	114,767	77,942	2,207	24,089	104,238

The analysis of unamortised premiums and unamortised discounts on debt securities and income on equity shares held for investment purposes is provided below:

	2015 $million	2014 $million
Debt securities:		
Unamortised premiums	401	381
Unamortised discounts	149	229
Income from listed equity shares	92	77
Income from unlisted equity shares	19	20

The following table sets out the movement in the allowance of impairment provisions for investment securities classified as loans and receivables.

	2015 $million	2014 $million
As at 1 January	26	26
Exchange translation differences	(1)	–
Amounts written off	(34)	(1)
Impairment charge	66	1
As at 31 December	57	26

22. Other assets

	2015 $million	2014 $million
Financial assets held at amortised cost (note 15)		
Hong Kong SAR Government certificates of indebtedness (note 29)[1]	4,907	4,738
Cash collateral	13,430	10,311
Acceptances and endorsements	3,949	5,212
Unsettled trades and other financial assets	10,122	10,493
	32,408	30,754
Non-financial assets and assets held for sale		
Commodities	1,652	4,432
Assets held for sale[2]	349	3,237
Other assets	192	266
	34,601	38,689

1. The Hong Kong SAR Government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued
2. This includes disposal groups which are measured at fair value less costs to sell and the assets and liabilities held for sale are classified within Level 3 of the fair value hierarchy. The disposal groups mainly include businesses held for sale in Pakistan, consisting of Standard Chartered Leasing Co. Limited, Standard Chartered Modarba and Standard Chartered Services (Pvt.) Ltd. The disposal of the Pakistan businesses held for sale in December 2014 was not completed in 2015 due to developments beyond management's control; the transaction is expected to complete in 2016. The businesses held for sale in Hong Kong, Korea and Lebanon at 31 December 2014 were completed in 2015. The Group has recognised a fair value loss of $4 million (2014: $15 million) within Other operating income (note 7) relating to assets held for sale during 2015

23. Investments in subsidiary undertakings, joint ventures and associates

Investment in subsidiary undertakings	2015 $million	2014 $million
As at 1 January	**24,881**	20,122
Additions	**3,500**	4,759
As at 31 December	**28,381**	24,881

As at 31 December 2015, the principal subsidiary undertakings, all indirectly held and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank, England and Wales	United Kingdom, Middle East, South Asia, Asia Pacific, Americas and, through Group companies, Africa	100
Standard Chartered Bank Korea Limited, Korea	Korea	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	100
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	100
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank (China) Limited, China	China	100
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.99
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.30
Standard Chartered Private Equity Limited, Hong Kong	Hong Kong	100

A complete list of subsidiary undertakings is included in note 46.

The Group does not have any material non-controlling interests in any of its subsidiaries except the 25.7 per cent non-controlling interests amounting to $95 million (2014: $106 million) in Standard Chartered Bank Kenya Limited. This contributes 3.4 per cent of the Group's operating profit and 0.3 per cent of the Group's assets.

While the Group's subsidiaries are subject to local statutory capital and liquidity requirements in relation to foreign exchange remittance, these restrictions arise in the normal course of business and do not significantly restrict the Group's ability to access or use assets and settle liabilities of the Group.

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory framework within which the banking subsidiaries operate. These frameworks require banking operations to keep certain levels of regulatory capital, liquid assets, exposure limits and comply with other required ratios. These restrictions are summarised below:

Regulatory and liquidity requirements

The Group's subsidiaries are required to maintain minimum capital, leverage ratios, liquidity and exposure ratios which therefore restrict the ability of these subsidiaries to distribute cash or other assets to the parent company.

The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries in which they operate. As at 31 December 2015, the total cash and balances with central banks was $65 billion (2014: $97 billion) of which $9 billion (2014: $10 billion) is restricted. See liquid asset disclosure on page 192.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits to the parent company, generally to maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends to the Group. Certain subsidiaries are also subject to local exchange control regulations which provide for restrictions on exporting capital from the country other than through normal dividends.

Contractual requirements

The encumbered assets in the balance sheet of the Group's subsidiaries are not available for transfer around the Group. Encumbered assets are disclosed on page 193. In addition, the securitised assets disclosed in note 15 on page 280 have legal restrictions.

23. Investments in subsidiary undertakings, joint ventures and associates continued

Interest in joint ventures

	2015 $million	2014 $million
As at 1 January	**751**	656
Exchange translation difference	**(74)**	(14)
Additions	**–**	55
Share of profits	**9**	58
Dividends received	**(6)**	(6)
Share of AFS and Other reserves	**(1)**	2
As at 31 December	**679**	751

The Group's principal joint venture is PT Bank Permata Tbk (Permata). The Group has a 44.56 per cent (2014: 44.56 per cent) interest through a (joint venture) company which holds a majority investment in Permata. Permata provides financial services to the consumer and commercial segment in Indonesia. The Group's share of profits of Permata amounts to $9 million (2014: $59 million) and the Group share of net assets was $672 million (2014: $743 million).

The following table sets out the summarised financial statements of PT Bank Permata Tbk prior to the Group's share of the joint venture being applied:

	2015 $million	2014 $million
Current assets	**8,918**	8,358
Non-current assets	**4,183**	6,562
Current liabilities	**(10,739)**	(10,163)
Non-current liabilities	**(1,107)**	(3,372)
Net assets	**1,255**	1,385
Operating income	**623**	626
Of which:		
Interest income	**1,205**	1,313
Interest expense	**(742)**	(855)
Expenses	**(573)**	(454)
Impairment	**(25)**	(2)
Operating profit	**25**	170
Taxation	**(5)**	(38)
Profit after tax	**20**	132
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,814**	1,534
Other comprehensive income for the year	**–**	7
Total comprehensive income for the year	**20**	139
Dividends received from the joint venture during the year	**(6)**	(6)

Non-current assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

23. Investments in subsidiary undertakings, joint ventures and associates continued

Reconciliation of the net assets above to the carrying amount of the investments in PT Bank Permata Tbk recognised in the consolidated financial statements:

	2015 $million	2014 $million
Net assets of PT Bank Permata Tbk	1,255	1,385
Proportion of the Group's ownership interest in joint ventures	559	617
Notional goodwill	113	126
Carrying amount of the Group's interest in PT Bank Permata Tbk	672	743

Interests in associates

	China Bohai Bank		Asia Commercial Bank (ACB)		Other		Total	
	2015 $million	2014 $million	2015 $million	2014 $million	2015 $million	2014 $million	2015 $million	2014 $million
As at 1 January	987	799	174	258	50	54	1211	1,111
Exchange translation differences	(63)	(4)	(4)	(2)	–	(4)	(67)	(10)
Additions	–	–	–	–	–	9	–	9
Share of profits	173	177	7	4	3	9	183	190
Disposals	–	–	–	–	(18)	–	(18)	–
Dividends received	–	–	(5)	(5)	(1)	(2)	(6)	(7)
Share of AFS and Other reserves	2	15	(1)	(1)	–	1	1	15
Impairment	–	–	(46)	(80)	–	(17)	(46)	(97)
As at 31 December	1,099	987	125	174	34	50	1,258	1,211

A complete list of the Group's interest in associates is included in note 46. The Group's principal associates are:

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking Operations	China	19.99
Asia Commercial Bank (ACB)	Banking Operations	Vietnam	15.00

The Group's investments in China Bohai Bank and ACB are less than 20 per cent, but both are considered to be associates because of the significant influence the Group is able to exercise over the management of these companies and their financial and operating policies. Significant influence is evidenced largely through the interchange of management personnel and the provision of expertise. The Group applies the equity method of accounting for investments in associates. The reporting dates of these associates are within three months of the Group's reporting date (the reporting dates of China Bohai Bank and ACB are 30 November 2015 and 30 September 2015, respectively). The fair value of ACB was $124 million as at 31 December 2015 (2014: $101 million).

23. Investments in subsidiary undertakings, joint ventures and associates continued

The following table sets out the summarised financial statements of China Bohai Bank and ACB prior to the Group's share of the associates being applied:

	China Bohai Bank		Asia Commercial Bank (ACB)	
	30 Nov 2015 $million	30 Nov 2014 $million	**30 Sep 2015 $million**	30 Sep 2014 $million
Current assets	**37,947**	45,992	**3,652**	3,369
Non-current assets	**85,877**	60,618	**4,937**	5,011
Current liabilities	**(96,282)**	(81,593)	**(7,887)**	(7,640)
Non-current liabilities	**(22,047)**	(20,078)	**(141)**	(156)
Net assets	**5,495**	4,939	**561**	584
Operating income	**2,968**	2,503	**303**	258
Of which:				
Interest income	**6,468**	5,875	**603**	652
Interest expense	**(4,023)**	(3,712)	**(354)**	(449)
Expenses	**(1,110)**	(1,051)	**(197)**	(173)
Impairment	**(776)**	(326)	**(50)**	(56)
Operating profit	**1,082**	1,126	**56**	29
Taxation	**(221)**	(241)	**(12)**	(4)
Profit after tax	**861**	885	**44**	25
The above amounts of assets and liabilities include the following:				
Other comprehensive income/(loss) for the year	**9**	(35)	**–**	–
Total comprehensive income for the year	**870**	850	**44**	25
Dividends received from the associate during the year	**–**	–	**(5)**	(5)

Non-current assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

The following table sets out the reconciliation of the above summarised financial information to the carrying amount of the investments in associates recognised in the consolidated financial statements:

	2015 $million	2014 $million	**2015 $million**	2014 $million
Net assets of the principal associates	**5,495**	4,939	**561**	584
Proportion of the Group's ownership interest in the associates	**1,099**	987	**84**	88
Goodwill (net of impairment)	**–**	–	**35**	81
Other adjustments	**–**	–	**6**	5
Carrying amount of the Group's interest in the principal associates	**1,099**	987	**125**	174

24. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their activities. The Group has involvement with both consolidated and unconsolidated structured entities, which may be established by the Group or by a third party, as detailed below.

Interests in consolidated structured entities

In accordance with the Group's accounting policies discussed in note 1, a structured entity is consolidated into the Group's financial statements where the Group controls the structured entity. In determining whether to consolidate a structured entity to which assets have been transferred, the Group takes into account its ability to direct the relevant activities of the structured entity which is evidenced through a unilateral right to liquidate the structured entity, investment in a substantial proportion of the securities issued by the structured entity or where the Group holds specific subordinate securities that embody certain controlling rights.

The following table presents the Group's interests in consolidated structured entities.

	2015 Total assets $million	2014 Total assets $million
Securitisation	**76**	27[1]
Aircraft and ship leasing	**5,514**	6,085
Structured finance	**1,377**	1,963
Total	**6,967**	8,075

1. The amortisation charge for the year is recognised in the income statement within note 9

24. Structured entities continued

Interests in unconsolidated structured entities

Unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

The table below presents the carrying amount of the assets and liabilities recognised in the financial statements relating to variable interests held in unconsolidated structured entities, the maximum exposure to loss relating to those interests and the total assets of the structured entities. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For derivatives, the maximum exposure to loss represents the on-balance sheet valuation and not the notional amount. For commitments and guarantees, the maximum exposure to loss is the notional amount of potential future losses.

	2015				2014			
	Principal finance funds $million	Structured finance $million	Asset backed securities $million	Total $million	Principal finance funds $million	Structured finance $million	Asset backed securities $million	Total $million
Group's interest – assets								
Financial assets held at fair value through profit or loss	374	–	97	471	142	–	282	424
Loans and advances to customers	–	–	–	–	38	–	–	38
Investment securities – Debt securities (AFS)	–	–	6,480	6,480	25	–	8,548	8,573
Investment securities – Debt securities (loans and receivables)	61	–	1,156	1,217	–	–	1,350	1,350
Other assets	124	297	–	421	192	282	–	474
Total assets	559	297	7,733	8,589	397	282	10,180	10,859
Group's interest – liabilities								
Customer accounts[1]	942	–	–	942	842	–	–	842
Debt securities in issue[1]	1,304	–	–	1,304	313	–	–	313
Other liabilities	–	290	–	290	–	256	–	256
Total liabilities	2,246	290	–	2,536	1,155	256	–	1,411
Off-balance sheet								
Capital commitment[1]	560	–	–	560	555	–	–	555
Group's maximum exposure to loss[1]	1,119	297	7,733	9,149	952	282	10,180	11,414
Total assets of structured entities[1]	160,887	297	507,172	668,356	126,925	283	365,076	492,284

1. 2014 balances have been restated

The main types of activities for which the Group utilises unconsolidated structured entities cover synthetic credit default swaps for portfolio management purposes, managed investment funds (including specialised principal finance funds), structured finance and asset backed securities.

Principal finance funds

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

Portfolio management

For the purposes of portfolio management, the Group purchased credit protection via synthetic credit default swaps from note-issuing structured entities that the Group sponsors. The referenced assets remain on the Group's balance sheet as they are not assigned to these structured entities. The Group continues to own or hold all of the risks and returns relating to these assets. The credit protection obtained from the regulatory-compliant securitisation only serves to protect the Group against losses upon the occurrence of eligible credit events and the underlying assets are not derecognised from the Group balance sheet. The Group does not hold any debt or equity interest in the structured entities. The proceeds of the notes' issuance are typically held as cash collateral in the Issuer's account, operated by a Trustee or invested in AAA-rated Government-backed securities to collateralise the structured entities swap obligations to the Group, and to repay the principal to investors at maturity. The structured entities reimburse the Group on actual losses incurred, through the use of the cash collateral or realisation of the collateral security. Correspondingly, the structured entities write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All funding is committed for the life of these vehicles and the Group has no indirect exposure in respect of the vehicles' liquidity position. The Group has reputational risk in respect of certain portfolio management vehicles and investment funds, either because the Group is the arranger and lead manager or because the structured entities have Standard Chartered branding.

24. Structured entities continued

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

Asset backed securities
The Group also has investments in asset backed securities issued by third-party structured entities as set out on page 183 of the Risk and capital review.

25. Goodwill and intangible assets

	2015				2014			
	Goodwill $million	Acquired intangibles $million	Software $million	Total $million	Goodwill $million	Acquired intangibles $million	Software $million	Total $million
Cost								
As at 1 January	4,224	564	1,348	6,136	5,207	678	1,103	6,988
Exchange translation differences	(120)	(37)	(93)	(250)	(120)	(18)	(67)	(205)
Additions	–	–	368	368	–	–	371	371
Disposals	–	–	–	–	–	–	(1)	(1)
Impairment	(488)	–	–	(488)	(758)	–	–	(758)
Amounts written off	–	(33)	(72)	(105)	–	(96)	(58)	(154)
Held for sale	–	–	–	–	(68)	–	–	(68)
Other movements	–	–	–	–	(37)	–	–	(37)
As at 31 December	3,616	494	1,551	5,661	4,224	564	1,348	6,136
Provision for amortisation								
As at 1 January	–	467	479	946	–	530	388	918
Exchange translation differences	–	(27)	(34)	(61)	–	(17)	(25)	(42)
Amortisation[1]	–	22	205	227	–	40	165	205
Impairment charge	–	1	–	1	–	8	8	16
Disposals	–	–	–	–	–	–	(1)	(1)
Amounts written off	–	(33)	(61)	(94)	–	(94)	(56)	(150)
As at 31 December	–	430	589	1,019	–	467	479	946
Net book value	3,616	64	962	4,642	4,224	97	869	5,190

1. The amortisation charge for the year is recognised in the income statement within note 9

As at 1 January 2014, the net book value was: goodwill, $5,207 million; acquired intangibles, $148 million; and software, $715 million.

As at 31 December 2015, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $2,315 million (2014: $1,827 million), of which $488 million was recognised in 2015 relating to goodwill held against the Taiwan ($362 million) and Thailand ($126 million) cash generating units (2014: $758 million relating to goodwill held against Korea and the Corporate advisory cash generating unit).

	2015 $million	2014 $million
Acquired intangibles comprise:		
Core deposits	5	8
Customer relationships	50	75
Brand names	1	3
Licences	8	11
Net book value	64	97

Acquired intangibles primarily comprise those recognised as part of the acquisitions of Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), Hsinchu Bank (now amalgamated into Standard Chartered Bank (Taiwan) Limited), Pembroke, Harrison Lovegrove, American Express Bank and Absa's custody business in Africa. The acquired intangibles are amortised over periods from four years to a maximum of 16 years.

25. Goodwill and intangible assets continued

Testing of goodwill for impairment

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purposes of impairment testing goodwill is allocated at the date of acquisition to a cash generating unit (CGU), and the table below sets out the goodwill allocated to each CGU. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amounts for all the CGUs were measured based on value-in-use. The key assumptions used in determining the recoverable amounts are set out below and are solely estimates for the purposes of assessing impairment of acquired goodwill.

	2015			2014		
Cash generating unit	Goodwill $million	Pre-tax discount rate %	Long-term forecast GDP growth rates %	Goodwill $million	Pre-tax discount rate %	Long-term forecast GDP growth rates %
Pakistan business	**251**	**27.0**	**4.9**	261	21.6	4.6
Taiwan business	**828**	**16.3**	**3.0**	1,238	14.0	4.3
Credit card and personal loan – Asia, India and MENAP	**896**	**15.0**	**4.0**	896	12.0	4.0
India business	**303**	**19.2**	**7.6**	318	16.9	6.5
MESA business[1]	**368**	**19.3**	**4.0**	368	21.0	4.2
Thailand business	**165**	**17.4**	**3.3**	313	13.5	4.5
Financial Institutions and Private Banking business	**396**	**14.0**	**3.8**	396	11.6	4.0
Corporate advisory business	**74**	**14.0**	**3.8**	77	12.0	4.0
Consumer banking business in Singapore	**197**	**11.9**	**4.0**	211	11.7	3.7
Other	**138**	**13.8-20.7**	**3.8-6.2**	146	12.0-14.6	4.0-5.2
	3,616			4,224		

1. MESA business consists of UAE, Saudi Arabia, Jordan, Oman, Qatar, Bahrain, Lebanon, Pakistan, Sri Lanka and Bangladesh

Methodology for determining value-in-use

The calculation of value-in-use for each CGU is based on cash flow projections over a 20-year period, including a terminal value which is determined based on long-term earnings multiple consistent with available market data. These cash flows are discounted using a pre-tax discount rate which reflects current market rates appropriate to the CGU as set out in the table above.

The cash flow projections are based on budgets and forecasts approved by management covering the five years to 2020, except for Financial Institutions and smaller CGUs disclosed within Other which cover one year to 2016. Management forecasts project growth rates greater than long-term GDP rates but which are in line with past performance as adjusted to reflect the current economic climate. For the period after management approved forecasts, the cash flows are extrapolated forward using steady long-term forecast GDP growth rates appropriate to the CGU.

Outcome of impairment assessment

The Group has performed its annual impairment assessment on the level of the goodwill that has been assigned to the Group's CGUs for indicators of impairment, considering whether there were any reduced expectations for future cash flows and/or fluctuations in the discount rate or the assumptions. At 31 December 2015, the results of this assessment indicated that the carrying amount exceeded the recoverable value by $362 million for the Taiwan CGU, arising principally from a slowdown in the local market, and $126 million for the Thailand CGU, arising as a consequence of management actions to reposition the business following the Strategic Review, and has been classified as Restructuring.

An impairment charge of $488 million has been recognised to write down the goodwill attributable to these CGUs to their recoverable values. The pre-tax discount rate applied to the Taiwan CGU was 16.3 per cent and 17.4 per cent in respect of the Thailand CGU.

For all other CGUs the recoverable amounts exceed the carrying amounts against the key assumptions.

It continues to be possible that certain scenarios could be constructed where a combination of reasonably possible changes in the discount rate, coupled with a reduction in current business plan forecasts or the GDP growth rate, would potentially result in the carrying amount of goodwill exceeding the recoverable amount in the future for the Taiwan and Thailand CGUs.

26. Property, plant and equipment

	2015				2014			
	Premises $million	Equipment $million	Operating lease assets $million	Total $million	Premises $million	Equipment $million	Operating lease assets $million	Total $million
Cost or valuation								
As at 1 January	2,330	805	6,759	9,894	2,391	797	5,465	8,653
Exchange translation differences	(107)	(52)	–	(159)	(68)	(29)	–	(97)
Additions	45	85	885	1,015	72	117	1,966	2,155
Disposals and fully depreciated assets written off	(108)	(103)	(853)	(1,064)	(48)	(80)	(672)	(800)
Transfers to assets held for sale	(4)	–	(264)	(268)	(17)	–	–	(17)
As at 31 December	2,156	735	6,527	9,418	2,330	805	6,759	9,894
Depreciation								
Accumulated as at 1 January	655	581	674	1,910	600	582	568	1,750
Exchange translation differences	(32)	(38)	–	(70)	(16)	(20)	–	(36)
Charge for the year	91	88	258	437	105	95	234	434
Impairment charge	19	–	130	149	–	–	–	–
Attributable to assets sold, transferred or written off	(62)	(103)	(32)	(197)	(34)	(76)	(128)	(238)
Transfers to assets held for sale	(3)	–	(17)	(20)	–	–	–	–
Accumulated as at 31 December	668	528	1,013	2,209	655	581	674	1,910
Net book amount as at 31 December	1,488	207	5,514	7,209	1,675	224	6,085	7,984

As at 1 January 2014, the net book value was: premises, $1,791 million; equipment, $215 million; and operating lease assets, $4,897 million.

Assets held under finance leases have a net book value of $134 million (2014: $142 million) with minimum lease payments of $4 million (2014: $7 million) after future finance charges.

During the year, an impairment charge of $130 million (2014: $nil) was recognised in respect of aircraft and ships held as operating lease assets, as the value-in-use of the assets was lower than the net book value. The charge was recognised within the Corporate & Institutional Clients segment.

27. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year:

	As at 1 January 2015 $million	Exchange and other adjustments $million	Charge/(credit) to profit $million	Charge/(credit) to equity $million	As at 31 December 2015 $million
Deferred taxation comprises:					
Accelerated tax depreciation	289	(7)	37	–	319
Impairment provisions on loans and advances	(314)	21	(474)	–	(767)
Tax losses carried forward	(325)	9	(80)	–	(396)
Available-for-sale assets	92	(3)	(2)	(58)	29
Cash flow hedges	(29)	2	–	25	(2)
Retirement benefit obligations	(79)	2	(4)	10	(71)
Share-based payments	(42)	2	8	6	(26)
Other temporary differences	136	(5)	17	–	148
Net deferred tax assets	(272)	21	(498)	(17)	(766)

	As at 1 January 2014 $million	Exchange and other adjustments $million	Charge/(credit) to profit $million	Charge/(credit) to equity $million	As at 31 December 2014 $million
Deferred taxation comprises:					
Accelerated tax depreciation	214	(5)	80	–	289
Impairment provisions on loans and advances	(230)	5	(89)	–	(314)
Tax losses carried forward	(422)	8	89	–	(325)
Available-for-sale assets	42	–	–	50	92
Cash flow hedges	2	–	–	(31)	(29)
Retirement benefit obligations	(72)	–	6	(13)	(79)
Share-based payments	(71)	–	27	2	(42)
Other temporary differences	184	(3)	(45)	–	136
Net deferred tax assets	(353)	5	68	8	(272)

27. Deferred tax continued

Deferred taxation comprises assets and liabilities as follows:

	2015			2014		
	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred taxation comprises:						
Accelerated tax depreciation	319	(18)	337	289	22	267
Impairment provisions on loans and advances	(767)	(765)	(2)	(314)	(365)	51
Tax losses carried forward	(396)	(253)	(143)	(325)	(203)	(122)
Available-for-sale assets	29	9	20	92	55	37
Cash flow hedges	(2)	–	(2)	(29)	(28)	(1)
Retirement benefit obligations	(71)	(59)	(12)	(79)	(74)	(5)
Share-based payments	(26)	(22)	(4)	(42)	(38)	(4)
Other temporary differences	148	49	99	136	113	23
	(766)	(1,059)	293	(272)	(518)	246

Where permitted deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

As at 31 December 2015, the Group has net deferred tax assets of $766 million (2014: $272 million).

The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

Of the Group's total deferred tax assets, $396 million relates to tax losses carried forward. These tax losses have arisen in individual legal entities and will be offset as future taxable profits arise in those entities.

$141 million of the deferred tax assets relating to losses has arisen in Ireland, where there is no expiry date for unused tax losses. These losses relate to aircraft leasing and are expected to be fully utilised over the useful economical life of the assets, being up to 25 years.

$90 million of the deferred tax assets relating to losses has arisen in Korea. Management forecasts show that the losses are expected to be fully utilised over a period of three years. The tax losses expire after 10 years.

$76 million of the deferred tax assets relating to losses has arisen in the US. Management forecasts show that the losses are expected to be fully utilised over a period of seven years. The tax losses expire after 20 years.

$43 million of the deferred tax assets relating to losses has arisen in Taiwan. Management forecasts show that the losses are expected to be fully utilised over a period of four years. The tax losses expire after 10 years.

The remaining deferred tax assets relating to losses has arisen in other jurisdictions and is expected to be recovered in less than 10 years.

	2015 $million	2014 $million
No account has been taken of the following potential deferred taxation assets/(liabilities):		
Withholding tax on unremitted earnings from overseas subsidiaries	(237)	(344)
Foreign exchange movements on investments in branches	(241)	(140)
Tax losses	499	96
Held over gains on incorporation of overseas branches	(468)	(478)
Other temporary differences	38	–

28. Debt securities in issue

	2015			2014		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	20,174	39,706	59,880	28,585	43,366	71,951
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 15)	104	8,813	8,917	125	8,712	8,837
Total debt securities in issue	20,278	48,519	68,797	28,710	52,078	80,788

In 2015, the Company issued a total of $4.2 billion senior notes for general business purposes of the Group, as shown below:

Securities	$million
$750 million fixed rate senior notes due 2018	747
$250 million floating rate senior notes due 2018	249
$1,250 million fixed rate senior notes due 2020	1,245
$750 million fixed rate senior notes due 2025	745
JPY 36,900 million fixed rate notes due 2018	293
JPY 93,100 million fixed rate notes due 2020	739
JPY 20,000 million fixed rate notes due 2025	159

29. Other liabilities

	2015 $million	2014 $million
Financial liabilities held at amortised cost (note 15)		
Notes in circulation[1]	4,907	4,738
Acceptances and endorsements	3,949	5,212
Cash collateral	10,074	7,005
Unsettled trades and other financial liabilities	12,595	13,131
	31,525	30,086
Non-financial liabilities		
Cash-settled share-based payments	18	37
Liabilities held for sale[2]	72	710
Other liabilities	396	404[3]
	32,011	31,237

1. Hong Kong currency notes in circulation of $4,907 million (2014: $4,738 million) that are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 22)
2. The $72 million is in respect of businesses held for sale in Pakistan; the disposal group consists of Standard Chartered Leasing Co. Limited, Standard Chartered Modarba and Standard Chartered Services (Pvt.) Ltd. The related assets are disclosed in note 22
3. Certain balances have been reclassified to 'provision for liabilities and charges' for consistent presentation

30. Subordinated liabilities and other borrowed funds

	2015 $million	2014 $million
Subordinated loan capital – issued by subsidiary undertakings		
£700 million 7.75 per cent subordinated notes 2018	**1,106**	1,208
£675 million 5.375 per cent undated step up subordinated notes (callable 2020)	**651**	706
£600 million 8.103 per cent step up callable perpetual preferred securities (callable 2016)	**905**	1,013
£200 million 7.75 per cent undated step up subordinated notes (callable 2022)	**364**	400
€1.1 billion 5.875 per cent subordinated notes 2017	**1,280**	1,474
$1 billion 6.4 per cent subordinated notes 2017	**1,065**	1,099
$750 million 5.875 per cent subordinated notes 2020	**799**	802
$700 million 8.0 per cent subordinated notes 2031	**636**	641
BWP 127.26 million 8.2 per cent subordinated notes 2022 (callable 2017)	**11**	13
BWP 70 million floating rate subordinated notes 2021 (callable 2016)	**6**	7
BWP 50 million floating rate notes 2022 (callable 2017)	**5**	5
JPY 10 billion 3.35 per cent subordinated notes 2023 (callable 2018)	**86**	87
KRW 270 billion 4.67 per cent subordinated debt 2021 (callable 2016)	**231**	247
KRW 90 billion 6.05 per cent subordinated debt 2018	**85**	92
PKR 2.5 billion floating rate notes 2022 (callable 2017)	**24**	25
SGD 750 million 4.15 per cent subordinated notes 2021 (callable 2016)	**503**	541
SGD 450 million 5.25 per cent subordinated notes 2023 (callable 2018)	**323**	355
TZS 10 billion 11 per cent subordinated notes 2020 (callable 2015)	**–**	6
UGX 40 billion 13 per cent subordinated notes 2020 (callable 2015)	**12**	14
	8,092	8,735
Subordinated loan capital – issued by the Company		
Primary capital floating rate notes:		
$400 million	**44**	44
$300 million (Series 2)	**80**	80
$400 million (Series 3)	**64**	64
$200 million (Series 4)	**50**	50
£150 million	**45**	47
£900 million 5.125 per cent subordinated debt 2034	**1,463**	1,588
$2 billion 5.7 per cent subordinated debt 2044	**2,379**	2,341
$2 billion 3.95 per cent subordinated debt 2023	**1,985**	1,952
$1.25 billion 4 per cent subordinated notes 2022 (callable 2017)	**1,247**	1,242
$1 billion 5.7 per cent subordinated notes 2022	**1,003**	989
$1 billion 5.2 per cent subordinated debt 2024	**996**	996
$750 million 5.3 per cent subordinated debt 2043	**789**	774
€1.25 billion 4 per cent subordinated debt 2025 (callable 2020)	**1,420**	1,599
€750 million 3.625 per cent subordinated notes 2022	**858**	968
€500 million 3.125 per cent subordinated debt 2024	**535**	604
SGD 700 million 4.4 per cent subordinated notes 2026 (callable 2021)	**473**	515
Other subordinated borrowings – issued by company[1]	**329**	359
	13,760	14,212
Total for Group	**21,852**	22,947

1. Other borrowings comprise irredeemable sterling preference shares (note 33). In the balance sheet of the Company the amount recognised is $305 million (2014: $324 million), with the difference being the effect of hedge accounting achieved on a Group basis

30. Subordinated liabilities and other borrowed funds continued

	2015				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	10,899	4,818	4,093	1,724	21,534
Floating rate subordinated debt	238	45	–	35	318
Total	11,137	4,863	4,093	1,759	21,852

	2014				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	10,836	5,274	4,645	1,870	22,625
Floating rate subordinated debt	238	47	–	37	322
Total	11,074	5,321	4,645	1,907	22,947

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

Redemptions during the year

On 21 October 2015, Standard Chartered Bank (Tanzania) Limited exercised its right to redeem its TZS 10 billion 11 per cent subordinated debt due 2020 in full on the first optional call date.

Issuance during the year

There was no new issuance during the year.

31. Provisions for liabilities and charges

	2015		
	Provision for credit commitments $million	Other provisions $million	Total $million
As at 1 January	20	109[1]	129[1]
Exchange translation differences	(3)	(4)	(7)
Charge against profit	94	89	183
Provisions utilised	(11)	(79)	(90)
As at 31 December	100	115	215

1. Restated for certain balances previously presented under Other liabilities

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.

Other provisions consist mainly of provisions for regulatory settlements and legal claims (note 41).

32. Retirement benefit obligations

Retirement benefit obligations comprise:

	2015 $million	2014 $million
Defined benefit plans obligation	422	391
Defined contribution plans obligation	23	22
Net obligation	445	413

Retirement benefit charge comprises:

	2015 $million	2014 $million
Defined benefit plans	96	105
Defined contribution plans	203	228
Charge against (loss)/profit (note 8)	299	333

The Group operates 50 defined benefit plans across its geographies, many of which are closed to new entrants who now join defined contribution arrangements. The aim of all these plans is to give employees the opportunity to save appropriately for retirement in a way that is consistent with local regulations, taxation requirements and market conditions. The defined benefit plans expose the Group to currency risk, interest rate risk, investment risk and actuarial risks such as longevity risk. The UK Fund is the Group's largest arrangement, representing 60 per cent of total pension liabilities.

The disclosures required under IAS 19 have been calculated by independent qualified actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2015.

UK Fund

The Standard Chartered Pension Fund (the UK Fund) is the Group's largest pension plan and provides pensions based on one-sixtieth of final salary per year of service, normally payable from age 60. The UK Fund is set up under a Trust that is legally separate from the Bank (its formal sponsor) and as required by UK legislation, at least one-third of the Trustee Directors are nominated by members; the remainder are appointed by the Bank. The Trustee Directors have a fiduciary duty to members and are responsible for governing the UK Fund in accordance with its Trust Deed and Rules.

The financial position of the UK Fund is regularly assessed by an independent qualified actuary. The most recent funding valuation was performed as at 31 December 2014 by A Zegleman, Fellow of the Faculty of Actuaries, of Willis Towers Watson, using the projected unit method and assumptions different from those below. To repair the $106 million (£72 million) past service deficit identified as at 31 December 2014, four annual cash payments of $18.6 million (£12.6 million) will be made from January 2016 onwards. If the funding position improves more quickly than expected, the three payments from January 2017 will be reduced or eliminated. In addition, an escrow account of $162 million (£110 million) exists to provide security for future contributions. The Bank is not required to recognise any additional liability under IFRIC 14 or the current exposure draft of proposed amendments to it as it has control of any pension surplus. Following the 31 December 2014 valuation, regular contributions to the UK Fund were set at 32 per cent of pensionable salary for all members. The next valuation is due on 31 December 2017.

With effect from 1 July 1998, the UK Fund was closed to new entrants and new employees are offered membership of a defined contribution plan. Over 85 per cent of the Fund's liabilities now relate to pensioners or ex-employees who have left the Group but have not yet retired. As at 31 December 2015, the weighted-average duration of the UK Fund was 15 years (2014: 15 years).

Overseas plans

The principal overseas defined benefit arrangements operated by the Group are in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the United States (US).

The Group's expected contribution to its defined benefit pension plans in 2016 is $90 million.

The principal financial assumptions used at 31 December 2015 were:

	Funded plans			
	UK Fund[1]		Overseas plans[2]	
	2015 %	2014 %	2015 %	2014 %
Price inflation	1.9	1.9	1.0 – 5.0	1.3 – 5.0
Salary increases	1.9	1.9	1.9 – 6.5	1.9 – 6.5
Pension increases	1.9	1.9	1.3 – 3.0	1.1 – 3.0
Discount rate	3.7	3.6	1.0 – 8.1	1.6 – 8.2

1. The assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 28 years (2014: 28 years) and a female member 29 years (2014: 29 years) and a male member currently aged 40 will live for 30 years (2014: 30 years) and a female member 31 years (2014: 31 years) after their 60th birthdays
2. The range of assumptions shown is for the main funded defined benefit overseas plans in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the US. These comprise over 85 per cent of the total liabilities of funded overseas plans

32. Retirement benefit obligations continued

These assumptions are likely to change in the future and this will affect the value placed on the liabilities. For example, changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

- If the discount rate for the UK Fund increased by 25 basis points (bps) the liability would reduce by approximately $60 million
- If the rate of inflation and pension increases for the UK Fund increased by 25 bps the liability would increase by approximately $60 million
- If the rate salaries increase compared to inflation for the UK Fund increased by 25 bps the liability would increase by approximately $5 million
- If longevity expectations increased by one year for the UK Fund the liability would increase by approximately $45 million

Although this analysis does not take account of the full distribution of cash flows expected under the UK Fund, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

	Unfunded plans			
	Post-retirement medical[1]		Other[2]	
	2015 %	2014 %	**2015 %**	2014 %
Price inflation	**2.5**	2.5	**1.9 – 5.0**	2.5 – 5.0
Salary increases	**4.0**	4.0	**1.9 – 6.5**	1.9 – 6.5
Pension increases	**N/A**	N/A	**0.0 – 1.9**	0.0 – 1.9
Discount rate	**4.6**	4.2	**2.5 – 8.2**	2.8 – 8.2
Post-retirement medical rate	**8% in 2015 reducing by 1% per annum to 5% in 2018**	7% in 2014 reducing by 1% per annum to 5% in 2016	**N/A**	N/A

1. The post-retirement medical plan is in the US
2. The range of assumptions shown is for the main unfunded plans in India, Indonesia, Korea, Thailand, UAE and the UK. They comprise over 85 per cent of the total liabilities of unfunded plans

The fair value of assets and present value of liabilities of the plans attributable to defined benefit members were:

	2015				2014			
	Funded plans		Unfunded plans		Funded plans		Unfunded plans	
As at 31 December	**UK Fund $million**	**Overseas plans $million**	**Post-retirement medical $million**	**Other $million**	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million
Equities	**176**	**267**	**N/A**	**N/A**	367	287	N/A	N/A
Government bonds	**686**	**164**	**N/A**	**N/A**	852	169	N/A	N/A
Corporate bonds	**192**	**68**	**N/A**	**N/A**	199	73	N/A	N/A
Absolute return fund	**187**	**–**	**N/A**	**N/A**	–	–	N/A	N/A
Hedge funds[1]	**189**	**–**	**N/A**	**N/A**	191	–	N/A	N/A
Insurance linked funds[1]	**56**	**–**	**N/A**	**N/A**	53	–	N/A	N/A
Opportunistic credit[1]	**79**	**–**	**N/A**	**N/A**	79	–	N/A	N/A
Property	**71**	**5**	**N/A**	**N/A**	78	5	N/A	N/A
Derivatives	**(11)**	**–**	**N/A**	**N/A**	(5)	2	N/A	N/A
Cash and equivalents	**49**	**197**	**N/A**	**N/A**	23	218	N/A	N/A
Others[1]	**9**	**25**	**N/A**	**N/A**	12	31	N/A	N/A
Total fair value of assets[2]	**1,683**	**726**	**N/A**	**N/A**	1,849	785	N/A	N/A
Present value of liabilities[3]	**(1,719)**	**(901)**	**(24)**	**(187)**	(1,839)	(963)	(27)	(196)
Net pension (liability)/asset	**(36)**	**(175)**	**(24)**	**(187)**	10	(178)	(27)	(196)

1. Unquoted assets
2. Self investment is monitored closely and is less than $2 million of Standard Chartered equities and bonds for 2015 (2014: $1 million). Self investment is only allowed where it is not practical to exclude it, for example, through investment in index-tracking funds where the Group is a constituent of the relevant index
3. Includes $nil (2014: $1 million) impact as a result of unrecognisable surplus in Kenya

32. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

2015	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Current service cost	7	62	1	21	91
Past service cost and curtailments	–	(2)	–	–	(2)
Gain on settlements[1]	–	(7)	–	–	(7)
Interest income on pension plan assets	(64)	(24)	–	–	(88)
Interest on pension plan liabilities	63	29	1	9	102
Total charge to loss before deduction of tax	6	58	2	30	96
Return on plan assets excluding interest income[2]	45	22	–	–	67
Losses/(gains) on liabilities	2	7	(4)	(15)	(10)
Total losses/(gains) recognised directly in statement of comprehensive income before tax	47	29	(4)	(15)	57
Deferred taxation	15	(5)	–	–	10
Total losses/(gains) after tax	62	24	(4)	(15)	67

1. These movements reflect a reduction in workforce in a number of geographies as a result of the restructuring actions of the Group
2. The actual return on the UK Fund assets was $19 million and on overseas plan assets was $2 million

2014	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Current service cost	8	65	1	20	94
Past service cost and curtailments	–	(1)	–	–	(1)
Gain on settlements	–	(1)	–	–	(1)
Interest income on pension plan assets	(80)	(28)	–	–	(108)
Interest on pension plan liabilities	81	31	1	8	121
Total charge to profit before deduction of tax	9	66	2	28	105
Return on plan assets excluding interest income[1]	(138)	(15)	–	–	(153)
Losses/(gains) on liabilities	105	89	(1)	21	214
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(33)	74	(1)	21	61
Deferred taxation	5	(18)	–	–	(13)
Total (gains)/losses after tax	(28)	56	(1)	21	48

1. The actual return on the UK Fund assets was $218 million and on overseas plan assets was $43 million

32. Retirement benefit obligations continued

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Deficit as at 1 January 2015	**10**	**(178)**	**(27)**	**(196)**	**(391)**
Contributions	**7**	**81**	**1**	**20**	**109**
Current service cost	**(7)**	**(62)**	**(1)**	**(21)**	**(91)**
Past service cost and curtailments	**–**	**2**	**–**	**–**	**2**
Settlement costs and transfers impact	**–**	**7**	**–**	**–**	**7**
Net interest on the net defined benefit asset/liability	**1**	**(5)**	**(1)**	**(9)**	**(14)**
Actuarial (losses)/gains	**(47)**	**(29)**	**4**	**15**	**(57)**
Exchange rate adjustment	**–**	**9**	**–**	**4**	**13**
Deficit as at 31 December 2015	**(36)**	**(175)**	**(24)**	**(187)**	**(422)**

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Deficit as at 1 January 2014	(23)	(122)	(26)	(170)	(341)
Contributions	9	75	–	14	98
Current service cost	(8)	(65)	(1)	(20)	(94)
Past service cost and curtailments	–	1	–	–	1
Settlement costs	–	1	–	–	1
Net interest on the net defined benefit asset/liability	(1)	(3)	(1)	(8)	(13)
Actuarial gains/(losses)	33	(74)	1	(21)	(61)
Exchange rate adjustment	–	9	–	9	18
Deficit as at 31 December 2014	10	(178)	(27)	(196)	(391)

	2015			2014		
	Assets $million	Obligations $million	Total $million	Assets $million	Obligations $million	Total $million
Deficit as at 1 January	**2,634**	**(3,025)**	**(391)**	2,585	(2,926)	(341)
Contributions[1]	**110**	**(1)**	**109**	100	(2)	98
Current service cost[2]	**–**	**(91)**	**(91)**	–	(94)	(94)
Past service cost and curtailments	**–**	**2**	**2**	–	1	1
Settlement costs	**(46)**	**53**	**7**	(11)	12	1
Interest cost on pension plan liabilities	**–**	**(102)**	**(102)**	–	(121)	(121)
Interest income on pension plan assets	**88**	**–**	**88**	108	–	108
Benefits paid out[2]	**(196)**	**196**	**–**	(167)	167	–
Actuarial (losses)/gains[3]	**(67)**	**10**	**(57)**	153	(214)	(61)
Exchange rate adjustment	**(114)**	**127**	**13**	(134)	152	18
Deficit as at 31 December	**2,409**	**(2,831)**	**(422)**	2,634	(3,025)	(391)

1. Includes employee contributions of $1 million (2014: $2 million)
2. Includes administrative expenses paid out of plan assets of $1 million (2014: $1 million)
3. Actuarial gain on obligation comprises $42 million gain (2014: $205 million loss) from financial assumption changes, $5 million gain (2014: $12 million loss) from demographic assumption changes and $37 million loss (2014: $3 million gain) from experience

33. Share capital, other equity instruments and reserves

Group and Company

	Number of ordinary shares millions	Ordinary share capital[1] $million	Preference share capital $million	Total share capital $million	Other equity instruments $million
As at 1 January 2014	2,427	1,214	–	1,214	–
Capitalised on scrip dividend	38	19	–	19	–
Shares issued	8	3	–	3	–
As at 31 December 2014	**2,473**	**1,236**	**–**	**1,236**	**–**
Capitalised on scrip dividend	**71**	**36**	**–**	**36**	**–**
Shares issued	**734**	**367**	**–**	**367**	**–**
Additional Tier 1 equity issuance	**–**	**–**	**–**	**–**	**1,987**
As at 31 December 2015	**3,278**	**1,639**	**–**	**1,639**	**1,987**

1. Issued and fully paid ordinary shares of 50 cents each

Ordinary share capital

In accordance with the Companies Act 2006, the Company does not have authorised share capital. The nominal value of each ordinary share is 50 cents.

On 14 May 2015, the Company issued 69,186,004 new ordinary shares instead of the final dividend and on 19 October 2015 the Company issued 2,154,390 new ordinary shares instead of the 2015 interim dividend.

During the year, 5,694,811 shares were issued under employee share plans at prices between nil and 1,140 pence.

On 3 November 2015, the Company announced the issue of 728,432,451 new ordinary shares by way of rights to qualifying shareholders at 465 pence per new ordinary share.

The issue was on the basis of two ordinary shares for every seven ordinary shares held on 18 November 2015. The rights issue raised $5.1 billion (£3.3 billion) in additional capital for the Company, net of expenses of $107 million. The proceeds will be used in the ordinary course of business. The rights issue used a cash box structure involving a Jersey subsidiary (JerseyCo), which was fully owned by the Company prior to the transaction. In return for an issue of shares by the Company to the investors, the net proceeds of the share issue were paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares it did not own. Under this structure, merger relief applies under Section 612 of the Companies Act 2006, which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the share issue proceeds.

Preference share capital

At 31 December 2015 and 2014, the Company has 15,000 $5 non-cumulative redeemable preference shares in issue, with a premium of $99,995 making a paid up amount per preference share of $100,000. The preference shares are redeemable at the option of the Company and are classified in equity.

The available profits of the Company are distributed to the holders of the issued preference shares in priority to payments made to holders of the ordinary shares and in priority to, or pari passu with, any payments to the holders of any other class of shares in issue. On a winding up, the assets of the Company are applied to the holders of the preference shares in priority to any payment to the ordinary shareholders and in priority to, or pari passu with, the holders of any other shares in issue, for an amount equal to any dividends accrued and/or payable and the nominal value of the shares together with any premium as determined by the Board. The redeemable preference shares are redeemable at the paid up amount (which includes premium) at the option of the Company in accordance with the terms of the shares. The holders of the preference shares are not entitled to attend or vote at any general meeting except where any relevant dividend due is not paid in full or where a resolution is proposed varying the rights of the preference shares.

Other equity instruments

On 2 April 2015, Standard Chartered PLC issued $2,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as Additional Tier 1 (AT1) securities, raising $1,987 million after issue costs for general business purposes and to increase the regulatory capital base of the Group.

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable at the option of Standard Chartered PLC in whole but not in part, on the first call date or on any fifth anniversary after the first call date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest to (but excluding) the date fixed for redemption. Any redemption is subject to Standard Chartered PLC giving notice to the relevant regulator and the regulator granting permission to redeem
- The interest rate in respect of the securities for the period from (and including) the issue date to (but excluding) 2 April 2020 is a fixed rate of 6.50 per cent per annum. The reset date for the interest rate is 2 April 2020 and each date falling five years, or an integral multiple of five years, after the first reset date
- The interest rate on the securities will be payable semi-annually in arrears on 2 April and 2 October in each year, with commencement date of 2 October 2015, accounted for as a dividend

33. Share capital, other equity instruments and reserves continued

- Interest on the securities is due and payable only at the sole and absolute discretion of Standard Chartered PLC, subject to certain additional restrictions set out in the terms and conditions. Accordingly, Standard Chartered PLC may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date
- The securities convert into ordinary shares of Standard Chartered PLC, at a pre-determined price, should the fully loaded Common Equity Tier 1 ratio of the Group fall below 7.0 per cent. Approximately 184 million ordinary shares would be required to satisfy the conversion
- The securities rank behind the claims against Standard Chartered PLC of (a) unsubordinated creditors, (b) which are expressed to be subordinated to the claims of unsubordinated creditors of Standard Chartered PLC, but not further or otherwise, or (c) which are, or are expressed to be, junior to the claims of other creditors of Standard Chartered PLC, whether subordinated or unsubordinated, other than claims which rank, or are expressed to rank, *pari passu* with, or junior to, the claims of holders of the AT1 securities in a winding-up occurring prior to the conversion trigger

Reserves

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is $27 million (2014: $27 million).

The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001. The capital redemption reserve represents the nominal value of preference shares redeemed.

The merger reserve represents the premium arising on shares issued using a cash box financing structure, which required the Company to create a merger reserve under section 612 of the Companies Act 2006. Shares were issued using this structure in 2005 and 2006 to assist in the funding of certain acquisitions, in 2008, 2010 and 2015, for the shares issued by way of a rights issue, and for the shares issued in 2009 in the placing. The funding raised by the 2008 and 2010 rights issues and 2009 share issue was fully retained within the Company. Of the 2015 funding, $1.5 billion was used to subscribe to additional equity in Standard Chartered Bank, a wholly owned subsidiary of the Company.

The available-for-sale reserve represents the unrealised fair value gains and losses in respect of financial assets classified as available-for-sale, net of taxation. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying asset is sold, matures or becomes impaired.

The cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur.

The translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations.

Retained earnings represent profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after-tax increase relating to equity-settled share options, less dividend distributions and own shares held (treasury shares).

A substantial part of the Group's reserves are held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

As at 31 December 2015, the distributable reserves of Standard Chartered PLC (the Company) were $15.2 billion (2014: $12 billion). These comprised retained earnings and $12.5 billion of the merger reserve account. Distribution of reserves is subject to maintaining minimum capital requirements.

Own shares

Bedell Trustees Limited is the trustee of the 1995 Employees' Share Ownership Plan Trust (1995 Trust), and was the trustee of the Standard Chartered 2004 Employee Benefit Trust (2004 Trust) until retiring in October 2015. Computershare Trustees (Jersey) Limited was appointed as the new trustee of the 2004 Trust on 20 October 2015. The 2004 Trust is used in conjunction with the Group's employee share schemes and the 1995 Trust is used for the delivery of other employee share-based payments (such as upfront shares and fixed pay allowances). The Group companies fund the trusts, from time-to-time, to enable the trustees to acquire shares to satisfy these arrangements.

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, including rights issue take up as applicable.

	1995 Trust		2004 Trust		Total	
Number of shares	2015	2014	2015	2014	2015	2014
Shares purchased during the year	6,448,053	4,090,094	439,906	1,306,188	6,887,959	5,396,282
Market price of shares purchased ($ million)	63	84	5	26	68	110
Shares held at the end of the year	4,861,846	5,291,941	137,850	–	4,999,696	5,291,941
Maximum number of shares held during the year					7,517,013	7,808,099

34. Non-controlling interests

	$300 million 7.267% Hybrid Tier 1 securities $million	Other non-controlling interests $million	Total $million
As at 1 January 2014	320	275	595
Expenses in equity attributable to non-controlling interests	–	(29)	(29)
Profits attributable to non-controlling interests	4	88	92
Comprehensive income for the year	4	59	63
Distributions	(11)	(49)	(60)
Other (decreases)/increases[1]	(313)	21	(292)
As at 31 December 2014	–	306	306
Expense in equity attributable to non-controlling interests	–	(38)	(38)
Loss attributable to non-controlling interests	–	(2)	(2)
Comprehensive loss for the year	–	(40)	(40)
Distributions	–	(26)	(26)
Other increases[2]	–	81	81
As at 31 December 2015	–	321	321

1. 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 2014. The Group had no interest in these securities
2. Additional investment from non-controlling interests in one of the Group's undertakings

35. Share-based payments

The Group operates a number of share-based arrangements for its executive directors and employees. Details of the share-based payment charge are set out below.

	2015[2]			2014[2]		
	Cash[1] $million	Equity $million	Total $million	Cash $million	Equity $million	Total $million
Deferred share awards	(18)	119	101	(5)	191	186
Other share awards	(5)	50	45	(14)	62	48
Total share based payments	(23)	169	146	(19)	253	234

1. The credit charge for cash settled awards reflects a reduction in expected liability in line with the movement in share price
2. No forfeiture assumed

2011 Standard Chartered Share Plan

Approved by shareholders in May 2011, the 2011 Standard Chartered Share Plan (the 2011 Plan), is the Group's main share plan; applicable to all employees with the flexibility to provide a variety of award types. The 2011 Plan is designed to deliver various types of share awards including those subject to long-term performance conditions, giving the Group sufficient flexibility to meet the challenges of the changing regulatory and competitive environment. Share awards are a key part of both executive directors' and senior management's variable compensation. Such awards ensure that there is an appropriate return for the risk taken and that the measure is aligned with the Group's risk appetite.

- **Performance shares** are subject to a combination of three performance measures: relative total shareholder return (TSR), earnings per share (EPS) growth and return on risk-weighted assets (RoRWA). The weighting between the three elements is split equally, one-third of the award depending on each measure, assessed independently. Performance share awards form part of the variable compensation awarded to executive directors
- **Deferred awards** are used to deliver the deferred portion of total variable compensation, in line with both market practice and regulatory requirements. These awards are subject to a three- or five-year deferral period, vesting equally on each anniversary of the award date. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice
- **Underpin shares** are subject to a combination of two performance measures: EPS growth and RoRWA. The weighting between the two elements is split equally, one-half of the award depending on each measure, assessed independently. Underpin shares formed part of the variable compensation awarded to executive directors and senior management in respect of 2014 performance
- **Restricted share awards** which are made outside of the annual performance process, as additional incentive, retention mechanisms or as replacement awards to new joiners who forfeit awards on leaving their previous employers, are provided as restricted shares under the 2011 Plan. These awards typically vest in equal instalments on the second and 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

35. Share-based payments continued

Valuation – performance shares

The fair value of the TSR component is derived by discounting one-third of the award by the loss of expected dividends over the vesting period together with the probability of meeting the relative TSR condition, which is calculated by the area under the TSR vesting schedule curve. The EPS growth fair value is derived by discounting one-third of the award respectively by the loss of expected dividends over the vesting period. The same approach is applied to calculate the RoRWA fair value for one-third of the award. In respect of the EPS growth and RoRWA components, the number of shares expected to vest is adjusted for actual performance when calculating the share-based payment charge for the year. The same fair value applies to all employees including executive directors.

The remaining life of the plan during which new awards can be made is five years.

	2015	2014			
Grant date	**19 March**	10 December	17 September	18 June	13 March
Share price at grant date (£)	**10.51**	9.34	12.28	12.83	11.92
Vesting period (years)	**5**	3	3	3	3
Expected dividend yield (%)	**5.7**	5.7	5.8	5.6	5.3
Fair value (EPS) (£)	**2.65**	2.64	3.45	3.63	3.40
Fair value (RoRWA) (£)	**2.65**	2.64	3.45	3.63	3.40
Fair value (TSR) (£)	**1.08**	1.07	1.41	1.48	1.38

The expected dividend yield assumption is based on a historical average over a period commensurate with this period until vesting, or over one year if the period until vesting is less than one year.

Valuation – deferred shares, underpin shares and restricted shares

The fair value, for all employees including executive directors, is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends.

Deferred shares and underpin shares accrue dividend equivalent payments during the vesting period. The expected dividend yield assumption is based on a historical average over a period commensurate with this 'average' period until vesting, or over one year if the average period until vesting is less than one year.

Details of deferred, underpin and performance shares awards for executive directors can be found in the Directors' remuneration report on page 127 to 129. All awards are subject to the Group's claw-back policy.

Deferred share awards[1]

	2015		2014	
Grant date	**17 June**	**19 March**	18 June	13 March
Share price at grant date (£)	**10.28**	**10.51**	12.83	11.92
Vesting period (years)	**1/2/3, 1/2/3/4/5**	**1/2/3, 3,1/2/3/4/5, 5**	1/2/3	1/2/3
Expected dividend yield (%)	**N/A**	**N/A**	N/A	N/A
Fair value (£)	**10.28**	**10.51**	12.83	11.92

1. Deferred shares include 88,024 underpin shares, granted on 19 March 2015, with three- and five-year cliff vesting. Valuation as per deferred shares granted on the same date

Deferred awards accrue dividend equivalent payments during the vesting period.

Other restricted share awards

	2015				2014			
Grant date	**1 December**	**22 September**	**17 June**	**19 March**	10 December	17 September	18 June	13 March
Share price at grant date (£)	**5.57**	**6.73**	**10.28**	**10.51**	9.34	12.28	12.83	11.92
Vesting period (years)	**2/3**	**2/3, 1/2/3/4, 2/3/4**	**2/3**	**2/3**	2/3, 1/2/3/4	2/3, 1/2/3/4	2/3, 1/2/3/4	2/3
Expected dividend yield (%)	**6.4**	**6.4**	**7.0**	**7.0**	5.5	5.7	6.1	5.8
Fair value (£)	**4.77**	**5.77**	**8.68**	**8.88**	8.17	10.69	11.08	10.37

2001 Performance Share Plan (2001 PSP) – now closed to new grants

The Group's previous plan for delivering performance shares was the 2001 PSP and there remain outstanding vested awards. Under the 2001 PSP half the award is dependent upon TSR performance and the balance is subject to a target of defined EPS growth. Both measures use the same three-year period and are assessed independently.

2006 Restricted Share Scheme (2006 RSS)/2007 Supplementary Restricted Share Scheme (2007 SRSS)

The Group's previous plans for delivering restricted shares were the 2006 RSS and 2007 SRSS, both now replaced by the 2011 Plan. There remain outstanding vested awards under these plans. Awards were generally in the form of nil cost options and do not have any performance conditions. Generally deferred restricted share awards vest equally over three years and for non-deferred awards half vests two years after the date of grant and the balance after three years. No further awards will be granted under the 2006 RSS and 2007 SRSS.

35. Share-based payments continued

All Employee Sharesave Plan (2004 International Sharesave, 2004 UK Sharesave and 2013 Sharesave)
Under the Sharesave plans, employees have the choice of opening a savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the Sharesave plans. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries the Group offers an equivalent cash-based plan to its employees. The 2004 Sharesave plans are now closed and no further awards will be granted under these plans.

The Standard Chartered 2013 Sharesave Plan was approved by shareholders in May 2013 and all future Sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is seven years.

Valuation – Sharesave
Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

All Employee Sharesave Plan (Sharesave)

	2015	2014
Grant date	7 October	8 October
Share price at grant date (£)	7.41	11.12
Exercise price (£)[1]	5.86	9.85
Vesting period (years)	3	3
Expected volatility (%)	28.0	25.1
Expected option life (years)	3.33	3.33
Risk-free rate (%)	0.9	1.19
Expected dividend yield (%)	6.3	5.8
Fair value (£)	1.40	1.61

1. For Sharesave granted in 2015 and 2014 the exercise prices have been adjusted downwards to reflect the rights issue by approximately 5.06 per cent (the adjusted exercise prices are £5.58 for 2015 and £9.38 for 2014)

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend for three years prior to grant.

Reconciliation of option movements for the year to 31 December 2015

	2011 Plan[1]						
	Performance shares	Deferred/ restricted shares	PSP[1]	RSS[1]	SRSS[1]	Sharesave	Weighted average exercise price (£)
Outstanding as at 1 January	14,277,137	18,235,300	249,645	2,245,347	663,148	14,017,543	10.91
Granted[2]	83,787[4]	11,654,081[5]	–	–	–	7,744,134	5.86
Additional shares for rights issue[3]	466,018	1,114,589	4,986	55,669	6,761	782,130	–
Lapsed	(4,696,340)	(840,478)	(78,787)	(472,152)	(386,668)	(6,979,307)	10.74
Exercised	(471,869)	(7,054,938)	(72,076)	(677,998)	(143,131)	(222,692)	10.66
Outstanding as at 31 December	9,658,733	23,108,554	103,768	1,150,866	140,110	15,341,808	7.87
Exercisable as at 31 December	324,373	3,475,711	103,768	1,150,866	140,110	1,685,205	11.31
Range of exercise prices (£)[2]	–	–	–	–	–	5.58-13.93	–
Intrinsic value of vested but not exercised options ($ million)	0.1	1.7	0.2	0.5	0.1	–	–
Weighted average contractual remaining life (years)	7.7	5.4	2.6	1.6	1.4	2.6	–
Weighted average share price for options exercised during the period (£)	10.02	9.78	9.13	9.66	10.00	10.82	–

1. Employees do not contribute towards the cost of these awards
2. For Sharesave granted in 2015 the exercise price has been adjusted downwards to reflect the rights issue by approximately 5.06 per cent (the adjusted exercise price is £5.58)
3. For grants awarded prior to the announcement of the rights issue and which had not been exercised or lapsed as of 23 November 2015, the number of shares under award has been adjusted upwards to reflect the rights issue by approximately 5.06 per cent. The adjustment follows the standard approach that companies apply to employee shares awards in the event of a rights issue. The adjustment compensates participants for their inability to participate in the rights issue in relation to their outstanding employee share awards
4. 83,787 granted on 19 March 2015
5. 9,426,009 granted on 19 March 2015, 781,538 (notional dividend) granted on 13 March 2015, 140,722 granted on 17 June 2015, 2,572 (notional dividend) granted on 18 June 2015, 261 (notional dividend) granted on 19 September 2015, 1,215,196 granted on 22 September 2015, and 87,783 granted on 1 December 2015

35. Share based payments continued

Reconciliation of option movements for the year to 31 December 2014

	2011 Plan[1]								
	Performance shares	Deferred/ restricted shares	PSP[1]	RSS[1]	SRSS[1]	ESOS	Weighted average exercise price (£)	Sharesave	Weighted average exercise price (£)
Outstanding as 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	4,856,656[2]	8,741,868[3]	–	147,942[4]	–	–	–	4,498,832	9.85
Lapsed	(2,919,405)	(664,974)	(1,321)	(179,307)	(4,054)	–	–	(4,733,743)	12.10
Exercised	(975,710)	(5,334,978)	(284,663)	(4,815,028)	(313,150)	(36,156)	7.89	(343,884)	10.81
Outstanding as at 31 December	14,277,137	18,235,300	249,645	2,245,347	663,148	–	–	14,017,543	10.91
Exercisable as at 31 December	335,245	1,488,503	249,645	2,245,347	663,148	–	–	2,986,185	10.67
Range of exercise prices (£)	–	–	–	–	–	–	–	9.80-14.63	–
Intrinsic value of vested but not exercised options ($ million)	0.3	1.3	0.5	2.4	0.5	–	–	–	–
Weighted average contractual remaining life (years)	8.2	5.4	3.6	2.4	1.9	–	–	2.0	–
Weighted average share price for options exercised during the period (£)	12.58	12.21	12.55	12.32	12.24	12.57	–	12.74	–

1. Employees do not contribute towards the cost of these awards
2. 4,687,363 granted on 13 March 2014, 128,616 granted on 18 June 2014, 33,896 granted on 17 September 2014 and 6,781 granted on 10 December 2014
3. 7,738,315 granted on 13 March 2014, 268,035 (notional dividend) granted on 11 March 2014, 231,006 (notional dividend) granted on 13 March 2014, 81,432 granted on 18 June 2014, 263 (notional dividend) granted on 19 June 2014, 3,101 (notional dividend) granted on 20 June 2014, 40 (notional dividend) granted on 22 June 2014, 223,209 granted on 17 September 2014, 368 (notional dividend) granted on 17 September 2014 and 196,099 granted on 10 December 2014
4. Granted on 10 March 2014 and relates to notional dividend applied to unvested portion of awards

36. Cash flow statement

Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2015 $million	2014 $million	**2015 $million**	2014 $million
Amortisation of discounts and premiums of investment securities	**(241)**	(207)	**–**	–
Interest expense on subordinated liabilities	**565**	738	**428**	394
Interest expense on senior debt securities in issue	**436**	498	**308**	337
Other non-cash items	**304**	33	**(9)**	16
Pension costs for defined benefit schemes	**96**	105	**–**	–
Share-based payment costs	**146**	234	**–**	–
Impairment losses on loans and advances and other credit risk provisions	**4,976**	2,141	**–**	–
Dividend income from subsidiaries	**–**	–	**(973)**	(1,494)
Other impairment	**855**	1,161	**–**	–
Loss on business classified as held for sale	**4**	15		
Profit from associates and joint ventures	**(192)**	(248)	**–**	–
Total	**6,949**	4,470	**(246)**	(747)

36. Cash flow statement continued

Change in operating assets

	Group		Company	
	2015 $million	2014 $million	**2015 $million**	2014 $million
Decrease/(increase) in derivative financial instruments	**730**	(4,631)	**226**	187
Decrease/(increase) in debt securities, treasury bills and equity shares held at fair value through profit or loss	**9,575**	(1,965)	**–**	–
Decrease/(increase) in loans and advances to banks and customers	**20,979**	(271)	**–**	–
Net decrease/(increase) in pre-payments and accrued income	**383**	(187)	**–**	–
Net decrease/(increase) in other assets	**5,145**	(6,603)	**(17)**	(98)
Total	**36,812**	(13,657)	**209**	89

Change in operating liabilities

	Group		Company	
	2015 $million	2014 $million	**2015 $million**	2014 $million
(Decrease)/increase in derivative financial instruments	**(304)**	2,650	**961**	131
Net (decrease)/increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	**(69,958)**	51,273	**(585)**	(392)
(Decrease)/increase in accruals and deferred income	**(198)**	1,417	**(18)**	(9)
Increase/decrease in other liabilities	**216**	3,981	**(415)**	535
Total	**(70,244)**	59,321	**(57)**	265

37. Cash and cash equivalents

The following balances with less than three months' maturity from the date of acquisition have been identified by the Group as being cash and cash equivalents.

	Group		Company	
	2015 $million	2014 $million	**2015 $million**	2014 $million
Cash and balances at central banks	**65,312**	97,282	**–**	–
Less: restricted balances	**(9,112)**	(10,073)	**–**	–
Treasury bills and other eligible bills	**10,280**	7,495	**–**	–
Loans and advances to banks	**18,946**	31,204	**–**	–
Trading securities	**3,002**	3,962	**–**	–
Amounts owed by and due to subsidiary undertakings	**–**	–	**20,517**	17,583
Total	**88,428**	129,870	**20,517**	17,583

Restricted balances comprise minimum balances required to be held at central banks.

38. Capital commitments

Capital expenditure approved by the directors but not provided for in these accounts amounted to:

	2015 $million	2014 $million
Contracted	**1**	6

39. Operating lease commitments

	2015 Premises $million	2015 Equipment $million	2014 Premises $million	2014 Equipment $million
Commitments under non-cancellable operating leases expiring:				
Within one year	**282**	**3**	317	3
Later than one year and less than five years	**674**	**2**	735	4
After five years	**383**	**–**	578	–
	1,339	**5**	1,630	7

During the year $433 million (2014: $406 million) was recognised as an expense in the income statement in respect of operating leases. The Group leases various premises and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The total future minimum sublease payments expected to be received under non-cancellable subleases as at 31 December 2015 is $116 million (2014: $144 million).

40. Contingent liabilities and commitments

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

	2015 $million	2014 $million
Contingent liabilities		
Guarantees and irrevocable letters of credit	**29,694**	33,318
Other contingent liabilities	**9,361**	9,214
	39,055	42,532
Commitments		
Documentary credits and short-term trade-related transactions	**4,852**	7,911
Forward asset purchases and forward deposits placed	**530**	539[1]
Undrawn formal standby facilities, credit lines and other commitments to lend[1]		
One year and over	**45,327**	42,380[1]
Less than one year	**14,104**	18,490[1]
Unconditionally cancellable	**123,036**	142,601[1]
	187,849	211,921

1. 2014 balances have been restated

The Group's share of contingent liabilities and commitments relating to joint ventures is $286 million (2014: $336 million).

Contingent liabilities

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

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

Commitments

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

41. Legal and regulatory matters

The Group seeks to comply with all applicable laws and regulations, but may be subject to regulatory actions and investigations across our markets, the outcome of which are generally difficult to predict and can be material to the Group.

Further details on regulatory compliance, reviews, request for information, investigation and risk of fraud and other criminal acts are set out in pages 200 and 201 of the Risk and capital review.

In addition to these matters, the Group receives legal claims against it in a number of jurisdictions arising in the normal course of business. The Group considers none of these claims as material.

Where appropriate, the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established.

42. Post-balance sheet events

Tax

On 8 July 2015, the UK government announced changes to tax rates. These changes have been substantively enacted at the balance sheet date but take effect in future periods. The changes were as follows:

- Corporation tax surcharge
  An 8 per cent corporation tax surcharge applies to UK profits of banks with effect from 1 January 2016. Management estimates that the impact of this change will not be material to the Group
- UK bank levy
  A phased reduction in the rate at which the UK bank levy is charged on qualifying liabilities is introduced. The current rates of 0.21 per cent for short-term liabilities and 0.105 per cent for long-term liabilities will be gradually reduced over the next six years. The rates applicable from 1 January 2021 will be 0.10 per cent for short-term liabilities and 0.05 per cent for long-term liabilities. In addition, the scope of the bank levy will be restricted to the balance sheet of UK operations only from 2021 onwards. The restriction of scope is currently in the process of consultation

43. Related party transactions

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in the Directors' remuneration report on pages 116 to 132.

IAS 24 *Related party disclosures* requires the following additional information for key management compensation. Key management comprises non-executive directors, executive directors of Standard Chartered PLC, the Court Directors of Standard Chartered Bank and the Persons Discharging Managerial Responsibilities (PDMR) of Standard Chartered PLC.

	2015 $million	2014 $million
Salaries, allowances and benefits in kind	**42**	28
Pension contributions	**3**	9
Bonuses paid or receivable	**–**	1
Share-based payments	**40**	37
	85	75

Transactions with directors and others

As at 31 December 2015, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (HK Listing Rules) about loans to directors were as follows:

	2015		2014	
	Number	**$million**	Number	$million
Directors	**1**	**–**	3	6

The loan transaction provided to the director of Standard Chartered PLC was a connected transaction under Chapter 14A of the HK Listing Rules. It was fully exempt as financial assistance under Rule 14A.87(1), as it was provided in our ordinary and usual course of business and on normal commercial terms.

As at 31 December 2015, Standard Chartered Bank had created a charge over $74 million (2014: $68 million) of cash assets in favour of the independent trustee of its employer-financed retirement benefit scheme.

Other than as disclosed in the Annual Report and Accounts, there were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the HK Listing Rules.

Company

The Company has received $627 million (2014: $633 million) of interest income from Standard Chartered Bank. The Company issues debt externally and lends proceeds to Group companies. As at 31 December 2015, it had loans to and debt instruments issued by Standard Chartered Bank of $16,209 million (2014: $13,308 million), derivative financial assets of $639 million (2014: $865 million) and $1,438 million derivative financial liabilities (2014: $477 million) with Standard Chartered Bank, loans of $130 million (2014: $130 million) to Standard Chartered Holdings Limited. At 31 December 2015, it had loans to Standard Chartered International Holdings of $1,801 million ((2014: $1,925 million).

43. Related party transactions continued

The Company has an agreement with Standard Chartered Bank that in the event of Standard Chartered Bank defaulting on its debt coupon interest payments, where the terms of such debt requires it, the Company shall issue shares as settlement for non-payment of the coupon interest.

Associate and joint ventures

	2015				2014			
	China Bohai Bank $million	Asia Commercial Bank $million	Clifford Capital $million	PT Bank Permata $million	China Bohai Bank[1] $million	Asia Commercial Bank $million	Clifford Capital $million	PT Bank Permata $million
Assets								
Loans and advances	11	–	–	69	–	–	30	136
Debt securities	–	–	–	112	–	–	–	120
Derivative assets	18	–	6	–	18	–	–	
Total assets	29	–	6	181	18	–	30	256
Liabilities								
Deposits	70	–	–	16	89	–	4	40
Derivative liabilities	3	–	–	–	1	–	–	–
Total liabilities	73	–	–	16	90	–	4	40
Loan commitments and other guarantees	–	–	50	–	–	–	50	–

1. Balances have been restated

44. Restatement of prior year

Earnings per share

On 3 November 2015, the Group announced the issue of 728,432,451 new ordinary shares by way of rights to qualifying shareholders at 465 pence per share. The issue was made as two shares for every seven held on 18 November 2015. As required by International Accounting Standard 33 – *Earnings per Share* (IAS 33) the Group has adjusted the 2014 basic, diluted, normalised basic and normalised diluted earnings per share, for the bonus element included within the rights issue.

	As reported in 2014 cents	Restatement Adjustment factor	Restated cents
Basic earnings per ordinary share	102.2	1.051	97.3
Diluted earnings per ordinary share	101.6	1.051	96.7
Normalised basic earnings per ordinary share	145.9	1.051	138.9
Normalised diluted earnings per ordinary share	145.1	1.051	138.1

Dividend per share

The dividend per share amounts in the table below have been adjusted for the bonus element included within the 2015 rights issue in line with the restatement of prior period earnings per share amounts required by IAS 33.

	As reported in 2014 cents	Restatement Adjustment factor	Restated cents
Dividend per share – Final dividend 2013	86.00	1.051	81.9
Dividend per share – Interim dividend 2014	28.80	1.051	27.4
Dividend per share – Final dividend 2014	86.00	1.051	81.9
Dividend per share – Interim dividend 2015	14.40	1.051	13.7

45. Standard Chartered PLC (Company)

Classification and measurement of financial instruments

Financial assets	2015 Derivatives held for hedging $million	2015 Amortised cost $million	2015 Total $million	2014 Derivatives held for hedging $million	2014 Amortised cost $million	2014 Total $million
Derivatives	639	–	639	865	–	865
Debt securities	–	12,309	12,309	–	12,309	12,309
Amounts owed by subsidiary undertakings	–	20,517	20,517	–	17,583	17,583
Total	639	32,826	33,465	865	29,892	30,757

Derivatives held for hedging are held at fair value, are classified as Level 2 and the counterparty is Standard Chartered Bank.

Debt securities comprise corporate securities issued by Standard Chartered Bank with a fair value of $12,309 million (2014: $12,309 million).

In 2015 and 2014, amounts owed by subsidiary undertakings have a fair value equal to carrying value.

Financial liabilities	2015 Derivatives held for hedging $million	2015 Amortised cost $million	2015 Total $million	2014 Derivatives held for hedging $million	2014 Amortised cost $million	2014 Total $million
Derivatives	1,438	–	1,438	477	–	477
Debt securities in issue	–	17,293	17,293	–	18,638	18,638
Subordinated liabilities and other borrowed funds	–	13,736	13,736	–	14,177	14,177
Total	1,438	31,029	32,467	477	32,815	33,292

Derivatives held for hedging are held at fair value, classified as Level 2 and the counterparty is Standard Chartered Bank.

The fair value of debt securities in issue is $17,293 million (2014: $18,638 million).

The fair value of subordinated liabilities and other borrowed funds is $12,920 million (2014: $13,774 million).

Derivative financial instruments

Derivatives	2015 Notional principal amounts $million	2015 Assets $million	2015 Liabilities $million	2014 Notional principal amounts $million	2014 Assets $million	2014 Liabilities $million
Foreign exchange derivative contracts:						
Currency swaps	10,528	58	1,426	13,084	338	464
Interest rate derivative contracts:						
Swaps	14,748	581	12	12,750	527	13
Total	25,276	639	1,438	25,834	865	477

Credit risk

Maximum exposure to credit risk

	2015 $million	2014 $million
Derivative financial instruments	639	865
Debt securities	12,309	12,309
Amounts owed by subsidiary undertakings	20,517	17,583
Total	33,465	30,757

In 2014 and 2015, amounts owed by subsidiary undertakings were neither past due nor impaired; the Company had no individually impaired loans.

In 2014 and 2015, the Company had no impaired debt securities. The debt securities held by the Group are issued by Standard Chartered Bank, a wholly owned subsidiary undertaking with credit ratings of A+/A+/Aa2.

45. Standard Chartered PLC (Company) continued

Liquidity risk

The following table analyses the residual contractual maturity of the assets and liabilities of the Company on a discounted basis:

	2015								
	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									
Derivative financial instruments	–	–	13	–	–	19	20	587	639
Investment securities	–	–	1,300	–	–	2,850	1,698	6,461	12,309
Amount owed by subsidiary undertakings	293	584	2,779	506	2,958	3,950	8,663	784	20,517
Investments in subsidiary undertakings	–	–	–	–	–	–	–	28,381	28,381
Total assets	293	584	4,092	506	2,958	6,819	10,381	36,213	61,846
Liabilities									
Derivative financial instruments	–	–	–	–	339	242	384	473	1,438
Senior debt	–	–	1,913	–	1,371	3,956	6,800	3,253	17,293
Other liabilities	202	56	76	–	33	23	20	–	410
Subordinated liabilities and other borrowed funds	–	–	–	–	–	1,247	1,420	11,069	13,736
Total liabilities	202	56	1,989	–	1,743	5,468	8,624	14,795	32,877
Net liquidity gap	91	528	2,103	506	1,215	1,351	1,757	21,418	28,969

	2014								
	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									
Derivative financial instruments	–	–	24	–	5	39	65	732	865
Investment securities	–	–	–	–	–	–	1,250	11,059	12,309
Amount owed by subsidiary undertakings	78	21	1,500	–	2,692	3,783	7,306	2,203	17,583
Investments in subsidiary undertakings	–	–	–	–	–	–	–	24,881	24,881
Total assets	78	21	1,524	–	2,697	3,822	8,621	38,875	55,638
Liabilities									
Derivative financial instruments	–	–	–	–	161	83	233	–	477
Senior debt	–	–	2,015	–	2,572	3,491	8,007	2,553	18,638
Other liabilities	208	43	89	–	48	–	87	–	475
Subordinated liabilities and other borrowed funds	–	–	–	–	–	–	1,242	12,935	14,177
Total liabilities	208	43	2,104	–	2,781	3,574	9,569	15,488	33,767
Net liquidity gap	(130)	(22)	(580)	–	(84)	248	(948)	23,387	21,871

45. Standard Chartered PLC (Company) continued

Financial liabilities excluding derivative financial instruments on an undiscounted basis

	2015								
	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
Debt securities in issue	**70**	**21**	**1,999**	**46**	**1,537**	**4,259**	**7,421**	**4,317**	**19,670**
Subordinated liabilities and other borrowed funds	**150**	**57**	**79**	**207**	**83**	**1,822**	**3,146**	**17,429**	**22,973**
Other liabilities	**202**	**56**	**76**	**–**	**33**	**23**	**4**	**–**	**394**
Total liabilities	**422**	**134**	**2,154**	**253**	**1,653**	**6,104**	**10,571**	**21,746**	**43,037**

	2014								
	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
Debt securities in issue	75	23	2,107	48	2,803	3,832	8,640	3,664	21,192
Subordinated liabilities and other borrowed funds	150	69	72	207	91	590	2,916	18,790	22,885
Other liabilities	208	43	80	–	39	–	89	–	459
Total liabilities	433	135	2,259	255	2,933	4,422	11,645	22,454	44,536

Derivative financial instruments on an undiscounted basis

Derivative financial instruments include those net settled derivative contracts in a net liability position, together with the pay leg of gross settled contracts regardless of whether the overall contract is in an asset or liability position. The receiving leg is not shown in this table and as a result the derivative amounts in this table are inflated by their exclusion.

	2015								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Derivative financial instruments	**59**	**25**	**94**	**102**	**108**	**424**	**1,218**	**2,338**	**4,368**

	2014								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Derivative financial instruments	60	31	92	96	104	468	1,498	2,422	4,771

46. Related undertakings of the Group

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the effective percentage of equity owned, as at 31 December 2015 is disclosed below. Refer to note 23 for undertakings that have a significant contribution to the Group's net profit or net assets.

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
BWA Dependents Limited	United Kingdom	£1.00 Ordinary shares	100
Chartered Financial Holdings Limited	United Kingdom	£5.00 Ordinary shares	100
		£1.00 Preference shares	100
Compass Estates Limited (in liquidation)	United Kingdom	£1.00 Ordinary shares	100
FinVentures UK Limited	United Kingdom	$1.00 Ordinary shares	100
Harrison Lovegrove & Co. Limited (in liquidation)	United Kingdom	£1.00 Ordinary shares	100
Pembroke Aircraft Leasing (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
SC (Secretaries) Limited	United Kingdom	£1.00 Ordinary shares	100
SC Leaseco Limited	United Kingdom	$1.00 Ordinary shares	100
SC Overseas Investments Limited	United Kingdom	AUD1.00 Ordinary shares	100
		$1.00 Ordinary shares	100
SC Transport Leasing 1 LTD	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 2 Limited	United Kingdom	£1.00 Ordinary shares	100
SCMB Overseas Limited	United Kingdom	£0.10 Ordinary shares	100
St. Helens Nominees Limited[1]	United Kingdom	£1.00 Ordinary shares	99
Stanchart Nominees Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered (CT) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered (GCT) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Africa Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered APR Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Bank	United Kingdom	$0.01 Non-Cumulative Irredeemable Preference shares	100
		$5.00 Non-Cumulative Redeemable Preference shares[1]	100
		$1.00 Ordinary shares	100
Standard Chartered Capital Markets Limited (in liquidation)	United Kingdom	£1.00 Ordinary shares	100
		$1.00 Ordinary shares	100
Standard Chartered Corporate Finance (Canada) Limited (in liquidation)	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Corporate Finance (Eurasia) Limited (in liquidation)	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Debt Trading Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Equitor Limited (in liquidation)	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Financial Investments Limited (in liquidation)	United Kingdom	£1.00 Ordinary A shares	100
Standard Chartered FURBS Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Health Trustee (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Holdings Limited[1]	United Kingdom	$2.00 Ordinary shares	100
Standard Chartered I H Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Lease Trustee Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 2 Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 3 Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Masterbrand Licensing Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered NEA Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Nominees Limited[1]	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Overseas Holdings Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Portfolio Trading (UK) Limited (in liquidation)	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Receivables (UK) Limited (in liquidation)	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Securities (Africa) Holdings Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Trustees (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered UK Holdings Limited	United Kingdom	£10.00 Ordinary shares	100
The SC Transport Leasing Partnership 1[2]	United Kingdom	Partnership interest	100
The SC Transport Leasing Partnership 2[2]	United Kingdom	Partnership interest	100
The SC Transport Leasing Partnership 3[2]	United Kingdom	Partnership interest	100
The SC Transport Leasing Partnership 4[2]	United Kingdom	Partnership interest	100
The BW Leasing Partnership 1 LP[3]	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 2 LP[3]	United Kingdom	Partnership interest	99.9

46. Related undertakings of the Group continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The BW Leasing Partnership 3 LP[3]	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 4 LP[3]	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 5 LP[3]	United Kingdom	Partnership interest	99.9
The New Herald LLP[3]	United Kingdom	Partnership interest	99.9
The New Joy Leasing LLP[3]	United Kingdom	Partnership interest	99.9
The Ocean Master LLP[3]	United Kingdom	Partnership interest	99.9
The Tooley Investment LLP[3]	United Kingdom	Partnership interest	99.9
Standard Chartered Bank Angola S.A.	Angola	AOK4,825.00 Ordinary shares	60
Standard Chartered Grindlays Pty Limited	Australia	AUD Ordinary shares	100
Standard Chartered Bank Botswana Insurance Agency (Proprietary) Limited	Botswana	BWP1.00 Ordinary shares	100
Standard Chartered Bank Botswana Investment Services (Pty) Limited	Botswana	BWP1.00 Ordinary shares	100
Standard Chartered Bank Botswana Limited	Botswana	BWP1.00 Ordinary shares	75.827
Standard Chartered Botswana Education Trust[4]	Botswana	–	100
Standard Chartered Botswana Nominees (Proprietary) Limited	Botswana	BWP Ordinary shares	100
Standard Chartered Bank (Brasil) S.A. – Banco de Investimento	Brazil	BRL Ordinary shares	100
Standard Chartered Participações E Assessoria Economica Ltda	Brazil	BRL0.51 Common shares	100
Standard Chartered Finance (Brunei) Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
Standard Chartered Bank Cameroon S.A.	Cameroon	XAF10,000.00 shares	100
Standard Chartered (Canada) Limited	Canada	CAD1.00 Ordinary shares	100
SCB Investment Holding Company Limited	Cayman Islands	$0.01 A Ordinary shares	100
Sirat Holdings Limited	Cayman Islands	$0.01 Ordinary shares	91
		$0.01 Preference shares	66.7
Standard Chartered Asia Real Estate Fund Company Limited	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered Corporate Private Equity (Cayman) Limited	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered International Partners	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered Principal Finance (Cayman) Limited	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Cayman) Limited	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered Saadiq Certificate Company Limited	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered Saadiq Mudarib Company Limited	Cayman Islands	$1.00 Ordinary shares	100
Sunflower Cayman SPC[5]	Cayman Islands	$1.00 Management shares	100
Cerulean Investments LP	Cayman Islands	Partnership interest	100
Gettysburg Investments LP	Cayman Islands	Partnership interest	100
Inner Mongolia Helingeer Standard Chartered Village Bank Limited	China	CNY1.00 Ordinary shares	100
SCL Consulting (Shanghai) Co. Ltd (In Liquidation)	China	$ Ordinary shares	100
Scope International (China) Co., Ltd.	China	$ Ordinary shares	100
Standard Chartered Bank (China) Limited	China	CNY Ordinary shares	100
Standard Chartered Corporate Advisory Co. Ltd	China	$1.00 Ordinary shares	100
Standard Chartered Trading (Shanghai) Limited	China	$15,000,000.00 Ordinary shares	100
Sociedad Fiduciaria Extebandes S.A. (in liquidation)	Colombia	COP1.00 Ordinary shares	100
Standard Chartered Bank Côte d'Ivoire SA	Cote d'Ivoire	XOF100,000.00 Ordinary shares	100
American Express International Finance Corp. N.V. (in liquidation)	Curaçao	$1,000.00 Ordinary shares	100
Ricanex Participations N.V. (In Liquidation)	Curaçao	$1,000.00 Ordinary shares	100
Pembroke Lease France SAS	France	€1.00 Ordinary shares	100
Standard Chartered Bank Gambia Limited	Gambia	GMD1.00 Ordinary shares	74.9
		GHC Ordinary shares	69.4
		GHC5,200.00 Preference shares	87.1
Standard Chartered Ghana Nominees Limited	Ghana	GHS Ordinary shares	100
Birdsong Limited	Guernsey	£1.00 Ordinary shares	100
Nominees One Limited	Guernsey	£1.00 Ordinary shares	100
Nominees Two Limited	Guernsey	£1.00 Ordinary shares	100
Songbird Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Secretaries (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Trust (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
Double Wings Limited	Hong Kong	HKD1.00 Ordinary shares	100
GE Capital (Hong Kong) Limited (in liquidation)	Hong Kong	HKD10.00 Ordinary shares	100
Grimes Golden Limited (in liquidation)	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Horsford Nominees Limited	Hong Kong	HKD Ordinary shares	100

46. Related undertakings of the Group continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Kozagi Limited	Hong Kong	HKD10.00 Ordinary shares	100
Larne Limited (In Liquidation)	Hong Kong	HKD Ordinary shares	100
Leopard Hong Kong Limited (in liquidation)	Hong Kong	$ Ordinary shares	100
Majestic Legend Limited	Hong Kong	HKD1.00 Ordinary shares	100
Marina Acacia Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Amaryllis Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Amethyst Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Ametrine Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Angelite Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Apollo Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Beryl Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Carnelian Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Emerald Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Flax Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Gloxinia Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Hazel Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Honor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Marina Ilex Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Iridot Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Kunzite Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Leasing Limited	Hong Kong	$ Ordinary shares	100
Marina Mimosa Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Moonstone Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Peridot Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Ruby Shipping Limited (in liquidation)	Hong Kong	$ Ordinary shares	100
Marina Sapphire Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Splendor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Marina Tourmaline Shipping Limited	Hong Kong	$ Ordinary shares	100
Ori Private Limited	Hong Kong	$1.00 Ordinary shares	100
		$1.00 A Ordinary shares	90.8
Prime Financial Limited (In Liquidation)	Hong Kong	HKD Ordinary shares	100
Rivendell Private Limited	Hong Kong	$1.00 A Ordinary shares	84.8
S C Learning Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Asia Limited	Hong Kong	HKD Deferred shares	100
		HKD Ordinary shares	100
Standard Chartered Bank (Hong Kong) Limited	Hong Kong	HKD A Ordinary shares	100
		HKD B Ordinary shares	100
		$ Preference shares	100
Standard Chartered Global Trading Investments Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Investment Services Limited	Hong Kong	HKD10.00 Ordinary shares	100
Standard Chartered Leasing Group Limited	Hong Kong	$ Ordinary shares	100
Standard Chartered PF Real Estate (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
Standard Chartered Private Equity Limited	Hong Kong	HKD1.00 Ordinary shares	100
		HKD Ordinary shares	100
Standard Chartered Private Equity Managers (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Securities (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Sherwood (HK) Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Trade Support (HK) Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Trust (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
Union Town Limited	Hong Kong	HKD1.00 Ordinary shares	100
Scope International Private Limited	India	INR10.00 Equity shares	100
St Helen's Nominees India Private Limited	India	INR10.00 Equity shares	99
Standard Chartered (India) Modeling and Analytics Centre Private Limited	India	INR10.00 Ordinary shares	100
Standard Chartered Finance Limited	India	INR10.00 Ordinary shares	98.7

46. Related undertakings of the Group continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Investments and Loans (India) Limited	India	INR10.00 Ordinary shares	100
Standard Chartered Private Equity Advisory (India) Private Limited	India	INR1,000.00 Ordinary shares	100
Standard Chartered Securities (India) Limited	India	INR10.00 Ordinary shares	100
PT Standard Chartered Securities Indonesia	Indonesia	IDR100,000,000.00 Ordinary shares	99
PT. Price Solutions Indonesia	Indonesia	$100.00 Ordinary shares	100
Inishbrophy Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inishcannon Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishcorky Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishcrean Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishdasky Leasing Limited (in liquidation)	Ireland	$1.00 Ordinary shares	100
Inishdawson Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inisherkin Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishgort Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishilra Leasing Limited (in liquidation)	Ireland	$1.00 Ordinary shares	100
Inishlynch Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inishmullen Leasing Limited (in liquidation)	Ireland	$1.00 Ordinary shares	100
Inishoo Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishquirk Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishroe Leasing Limited (in liquidation)	Ireland	$1.00 Ordinary shares	100
Inishtubrid Leasing Limited	Ireland	$1.00 Ordinary shares	100
Nightjar Limited	Ireland	$1.00 Ordinary shares	100
Pembroke 7006 Leasing Limited	Ireland	€1.25 Ordinary shares	100
Pembroke 717 Leasing Limited (in liquidation)	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 1 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 2 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 3 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 4 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 5 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 6 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 7 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 8 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 9 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 10 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 11 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 12 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Holdings Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Alpha Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Capital Limited	Ireland	€1.25 Ordinary shares	100
		$1.00 Ordinary shares	100
Pembroke Capital Shannon Limited	Ireland	€1.25 Ordinary shares	100
Pembroke Nominees Limited (In liquidation)	Ireland	€1.25 Ordinary shares	100
Skua Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Group Limited	Isle of Man	$0.01 Ordinary shares	100
Standard Chartered Assurance Limited	Isle of Man	$1.00 Ordinary shares	100
		$1.00 Redeemable Preference shares	100
Standard Chartered Insurance Limited	Isle of Man	$1.00 Ordinary shares	100
Standard Chartered Securities (Japan) Preparation Limited	Japan	JPY50,000 Ordinary shares	100
Ocean Horizon Holdings East Limited	Jersey	$1.00 Ordinary shares	100
Ocean Horizon Holdings West Limited	Jersey	$1.00 Ordinary shares	100
SCB Nominees (CI) Limited	Jersey	$1.00 Ordinary shares	100
Standard Chartered Funding (Jersey) Limited[1]	Jersey	£1.00 Ordinary shares	100
Standard Chartered Bank Kenya Limited	Kenya	KES5.00 Ordinary shares	74.3
		KES5.00 Preference shares	100
Standard Chartered Securities (Kenya) Limited	Kenya	KES10.00 Ordinary shares	100
Standard Chartered Financial Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Insurance Agency Limited	Kenya	KES100.00 Ordinary shares	100
Standard Chartered Investment Services Limited	Kenya	KES1.00 Ordinary shares	100
Standard Chartered Kenya Nominees Limited	Kenya	KES20.00 Ordinary shares	100

46. Related undertakings of the Group continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Management Services Limited (in liquidation)	Kenya	KES20.00 Ordinary shares	100
Resolution Alliance Korea Ltd	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Standard Chartered Bank Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Standard Chartered Private Equity Korea II	Korea, Republic of	KRW1,000,000.00 Ordinary shares	52.2
Standard Chartered Private Equity Managers Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Standard Chartered Securities Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Standard Chartered Metropolitan Holdings SAL	Lebanon	$10.00 Ordinary A shares	100
Standard Chartered Financial Services (Luxembourg) S.A. (in liquidation)	Luxembourg	€25.00 Ordinary shares	100
Amphissa Corporation Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Cartaban (Malaya) Nominees Sdn Berhad	Malaysia	RM10.00 Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Golden Maestro Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Marina Morganite Shipping Limited	Malaysia	$ Ordinary shares	100
Marina Moss Shipping Limited	Malaysia	$1.00 Ordinary shares	100
Marina Tanzanite Shipping Limited	Malaysia	$ Ordinary shares	100
Pembroke Leasing (Labuan) 2 Berhad	Malaysia	$1.00 Ordinary shares	100
Pembroke Leasing (Labuan) 3 Berhad	Malaysia	$1.00 Ordinary shares	100
Pembroke Leasing (Labuan) Pte Limited	Malaysia	$1.00 Ordinary shares	100
Popular Ambience Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Price Solutions Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Resolution Alliance Sdn Bhd[6]	Malaysia	RM1.00 Ordinary shares	91
SCBMB Trustee Berhad	Malaysia	RM10.00 Ordinary shares	100
Scope International (M) Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Malaysia	RM0.10 Irredeemable Cumulative Preference shares	100
		RM1.00 Ordinary shares	100
Standard Chartered Saadiq Berhad	Malaysia	RM1.00 Ordinary shares	100
Marina Alysse Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Amandier Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Ambroisee Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Angelica Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Aquamarine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Aventurine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Buxus Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Celsie Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Citrine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Dahlia Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Dittany Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Dorado Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Jessamine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Lilac Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Lolite Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Obsidian Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Pissenlet Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Poseidon Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Protea Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Quartz Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Remora Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Turquoise Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Zeus Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Zircon Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Standard Chartered Bank (Mauritius) Limited	Mauritius	$10.00 Ordinary shares	100
Standard Chartered Financial Holdings	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited	Mauritius	$1.00 Ordinary shares	100
		$ Redeemable Preference shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Mauritius	$1.00 Ordinary shares	100

46. Related undertakings of the Group continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Subcontinental Equities Limited	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Bank Mozambique, S.A.	Mozambique	$1.00 Ordinary shares	100
Standard Chartered Bank Nepal Limited	Nepal	NPR100.00 Ordinary shares	75
Pembroke B717 Holdings B.V.	Netherlands	€1.00 Ordinary shares	100
Pembroke Funding B.V.	Netherlands	€100.00 Ordinary shares	100
Pembroke Holland B.V.	Netherlands	€450.00 Ordinary shares	100
Pembroke Thai Aircraft II B.V.	Netherlands	€100.00 Ordinary shares	100
Smart Application Investment B.V.	Netherlands	€45.00 Ordinary shares	100
Standard Chartered Holdings (Africa) B.V.	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V.	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (International) B.V.	Netherlands	€4.50 Ordinary A Shares	100
		€4.50 Ordinary B Shares	100
		€4.50 Ordinary C Shares	100
		€4.50 Ordinary D Shares	100
		€4.50 Ordinary E Shares	100
		€4.50 Ordinary F Shares	100
		€4.50 Ordinary G Shares	100
Standard Chartered MB Holdings B.V.	Netherlands	€4.50 Ordinary shares	100
Cherroots Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Bank Nigeria Limited	Nigeria	NGN1.00 Irredeemable Non Cumulative Preference shares	100
		NGN1.00 Ordinary shares	100
		NGN1.00 Redeemable Preference shares	100
Standard Chartered Capital & Advisory Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Nominees (Nigeria) Limited	Nigeria	NGN1.00 Ordinary shares	100
Price Solution Pakistan (Private) Limited[1]	Pakistan	PKR10.00 Ordinary shares	100
Standard Chartered Bank (Pakistan) Limited	Pakistan	PKR10.00 Ordinary shares	99
Standard Chartered Leasing Limited	Pakistan	PKR10.00 Ordinary shares	86.5
Standard Chartered Modaraba[7]	Pakistan	PKR10.00 Modaraba Certificates	20
Standard Chartered Services of Pakistan (Private) Limited	Pakistan	PKR10.00 Ordinary shares	100
Banco Standard Chartered en Liquidacion (in liquidation)	Peru	$75.133 Ordinary shares	100
Assurance Solutions Insurance Agency Inc.	Philippines	PHP1.00 Ordinary shares	100
Price Solutions Philippines, Inc.	Philippines	PHP1.00 Ordinary shares	100
Standard Chartered Nominees (Western Samoa) Limited	Samoa	$1.00 Ordinary shares	100
Standard Chartered Capital (Saudi Arabia)	Saudi Arabia	SAR10.00 Ordinary shares	100
Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SLL1.00 Ordinary shares	80.7
Marina Aquata Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Aruana Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Aster Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Cobia Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Daffodil Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Fatmarini Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Frabandari Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Freesia Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Gerbera Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Mars Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Mercury Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Opah Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Partawati Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Poise Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Price Solutions Singapore Pte. Ltd.	Singapore	SGD Ordinary shares	100
Prime Financial Holdings Limited	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100

46. Related undertakings of the Group continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Raffles Nominees (Pte.) Limited	Singapore	SGD Ordinary shares	100
SC2 Investments (Singapore) Private Limited	Singapore	SGD Ordinary shares	100
SCM Real Estate (Singapore) Private Limited	Singapore	SGD1.00 Ordinary shares	100
SCTS Capital Pte. Ltd	Singapore	SGD Ordinary shares	100
SCTS Management Pte. Ltd.	Singapore	SGD Ordinary shares	100
Standard Chartered (1996) Limited	Singapore	SGD Ordinary shares	100
Standard Chartered (2000) Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Bank (Singapore) Limited	Singapore	SGD Ordinary shares	100
		SGD Preference shares	100
Standard Chartered Holdings (Singapore) Private Limited	Singapore	SGD Ordinary shares	100
Standard Chartered IL&FS Management (Singapore) Pte. Limited	Singapore	$1.00 Ordinary shares	50
Standard Chartered Investments (Singapore) Private Limited	Singapore	$ Ordinary shares	100
Standard Chartered Nominees (Singapore) Pte Ltd	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered PF Managers Pte. Limited	Singapore	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Singapore) Pte. Ltd	Singapore	$ Ordinary shares	100
		$ Redeemable Preference shares	100
Standard Chartered Private Equity Managers (Singapore) Pte. Ltd	Singapore	$ Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) I Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) II Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) III Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) IV Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) V Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) VI Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) VII Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) VIII Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Securities (Singapore) Pte. Limited	Singapore	SGD Ordinary shares	100
Standard Chartered Trust (Singapore) Limited	Singapore	SGD Ordinary shares	100
CMB Nominees Proprietary Limited	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)	South Africa	ZAR Ordinary shares	100
Standard Chartered Bank (Switzerland) S.A. (in liquidation)	Switzerland	CHF1,000.00 Ordinary shares	100
		CHF100.00 Participation Capital shares	100
Kwang Hua Mocatta Ltd. (Taiwan) (in liquidation)	Taiwan	TWD1,000.00 Ordinary shares	100
Standard Chartered Bank (Taiwan) Limited	Taiwan	TWD10.00 Ordinary shares	100
Standard Chartered Life Insurance Agency Company	Taiwan	TWD10.00 Ordinary shares	100
Taiwan Standard Chartered Insurance Agency Company	Taiwan	TWD10.00 Ordinary shares	100
Standard Chartered Bank Tanzania Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
Standard Chartered Tanzania Nominees Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
Standard Chartered (Thai) Asset Management Co. Ltd	Thailand	THB100.00 Statutory shares	100
Standard Chartered (Thailand) Company Limited	Thailand	THB10.00 Ordinary shares	100
Standard Chartered Bank (Thai) Public Company Limited	Thailand	THB10.00 Ordinary shares	99.9
Thai Exclusive Leasing Company Limited	Thailand	THB10.00 Ordinary shares	100
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi	Turkey	TRL0.10 Ordinary shares	100
Standard Chartered Bank Uganda Limited	Uganda	UGS1,000.00 Ordinary shares	100
SC Studios, LLC	United States	$1.00 Membership Interest shares	100
StanChart Securities International, Inc.	United States	$0.01 Common shares	100
Standard Chartered Bank International (Americas) Limited	United States	$1.00 Ordinary shares	100
Standard Chartered Capital Management (Jersey), LLC	United States	$ Ordinary shares	100

46. Related undertakings of the Group continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Holdings Inc.	United States	$100.00 Common shares	100
Standard Chartered International (USA) Ltd.	United States	$100.00 Ordinary shares	100
Standard Chartered Overseas Investment, Inc.	United States	$10.00 Ordinary shares	100
Standard Chartered Securities (North America) Inc.	United States	$0.01 Ordinary shares	100
Standard Chartered Trade Services Corporation	United States	$0.01 Common shares	100
Standard Chartered Uruguay Representacion S.A. (in liquidation)	Uruguay	UYU1.00 Ordinary shares	100
Standard Chartered Bank (Vietnam) Limited	Vietnam	VND Charter Capital shares	100
California Rose Limited	Virgin Islands, British	$1.00 Ordinary shares	90.5
Earnest Range Limited	Virgin Islands, British	$1.00 Ordinary shares	90.5
New Group Investments Limited	Virgin Islands, British	$1.00 Ordinary shares	100
Sky Favour Investments Limited	Virgin Islands, British	$1.00 Ordinary shares	100
Sky Harmony Holdings Limited	Virgin Islands, British	$1.00 Ordinary shares	100
Standard Chartered Bank Zambia Plc	Zambia	ZMW0.25 Ordinary shares	90
Standard Chartered Zambia Nominees Limited	Zambia	ZMK2.00 Ordinary shares	100
Standard Chartered Zambia Securities Services Nominees Limited	Zambia	ZMK1.00 Ordinary shares	100
Standard Chartered Asset Management Limited	Zimbabwe	$0.001 Ordinary shares	100
Standard Chartered Bank Zimbabwe Limited	Zimbabwe	$1.00 Ordinary shares	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Zimbabwe	$2.00 Ordinary shares	100

Associates

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
China Bohai Bank Co., Ltd[8]	China	CNY Ordinary shares	19.99
FAI Limited	Mauritius	$1.00 Ordinary shares	25
Seychelles International Mercantile Banking Corporation Limited	Seychelles	SCR1,000.00 Ordinary shares	22
Clifford Capital Pte. Ltd[9]	Singapore	$ Ordinary shares	9.9
MCashback Limited (in liquidation)	United Kingdom	£0.01 Ordinary shares	31.7
Asia Commercial Bank[8]	Vietnam	VND10,000.00 Ordinary shares	15

Joint Ventures

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
PT Bank Permata Tbk[10]	Indonesia	IDR125.00 B shares	44.6
Canas Leasing Limited[10]	Ireland	US$1 Ordinary shares	50
Elviria Leasing Limited[10]	Ireland	US$1 Ordinary shares	33.3

Significant investment holdings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Abacus Eight Limited	Cayman Islands	A shares	24.5
Abacus Nine Limited	Cayman Islands	A shares	24.5
Abacus Seven Limited	Cayman Islands	A shares	24.5
Abacus Ten Limited	Cayman Islands	A shares	31.2
Asia Trading Holdings Limited	Cayman Islands	$0.01 Ordinary shares	50
ATSC Cayman Holdco Limited	Cayman Islands	$0.01 A Ordinary shares	5.3
		$0.01 B Ordinary shares	100
Etonkids Educational Group Limited	Cayman Islands	$0.001 Series A Preferred shares	100
Greathorse Chemical Limited	Cayman Islands	KYD1.00 Ordinary shares	27.7
Standard Chartered IL&FS Asia Infrastructure (Cayman) Limited	Cayman Islands	$0.01 Ordinary shares	50
Standard Chartered IL&FS Asia Infrastructure Growth Fund Company Ltd.	Cayman Islands	$1.00 Ordinary shares	50
Standard Chartered IL&FS Asia Infrastructure Growth Fund LP	Cayman Islands	Partnership interest	38.6
Guangdong Aiyingdao Children Departmental Store Co. Ltd	China	CNY1.00 Common shares	20.2
Jin Li Realty (Shanghai) Co., Ltd.	China	Registered Capital	45
Ningbo Xingxin Real Estate Development Co. Ltd	China	Registered Capital	36
Shu Li Realty (Shanghai) Limited	China	Registered Capital	45
Yunnan Golden Shiner Property Development Co., Ltd.	China	Registered Capital	50
Fast Great Investment Limited	Hong Kong	HKD1.00 Ordinary shares	28
Origin Direct Asia Limited	Hong Kong	HKD1.00 Ordinary shares	32
Joyville Shapoorji Housing Private Limited	India	INR10.00 Common Equity shares	25.8

46. Related undertakings of the Group continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Mahindra Homes Private Limited	India	INR10.00 A Ordinary shares	50
Privi Organics Limited	India	INR10.00 B Ordinary shares	100
		INR10.00 Compulsorily Convertible Preference shares	100
		INR10.00 Ordinary shares	24.1
Omni Centre Pte. Ltd.	Indonesia	$ Redeemable Convertible Preference shares	100
PT Travira Air	Indonesia	IDR1.00 Ordinary shares	30
Al-Jazeera Agricultural Company PSC	Jordan	JOD1.00 Ordinary shares	33.1
Daiyang Metal Company Ltd	Korea, Republic of	KRW500 Common shares	23.1
		Convertible Preference shares	100
Fountain Valley PFV Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	47.3
Kolon Water	Korea, Republic of	KRW5,000 Ordinary shares	35
		KRW5,000 Redeemable Convertible Preference shares	100
Kolon Water & Energy	Korea, Republic of	KRW5,000 Ordinary shares	35
		KRW5,000 Redeemable Convertible Preference shares	100
Samyang Packaging	Korea, Republic of	KRW5,000.00 Ordinary shares	22
Smoothie King Korea Inc	Korea, Republic of	KRW5,000 Ordinary shares	20.3
Standard Chartered Private Equity Korea III	Korea, Republic of	KRW1,000,000.00 Ordinary shares	31
West Point PFV Co., Ltd.	Korea, Republic of	KRW50,000.00 Common shares	50
House Network SDN BHD	Malaysia	RM1.00 Ordinary shares	25
Origin Fruit Direct B.V.	Netherlands	€2.27 Ordinary shares	32
GZ Industries Limited	Nigeria	NGN1.00 Ordinary shares	37
Crystal Jade Group Holdings Pte Ltd	Singapore	$1.00 Ordinary shares	42.3
Interplex Holdings Ltd	Singapore	SGD Ordinary shares	29.7
MMI Technoventures Pte Ltd	Singapore	SGD Ordinary shares	50
Polaris Limited	Singapore	SGD Ordinary shares	25.8
Afrifresh Group (Proprietary) Limited	South Africa	ZAR1.00 Ordinary shares	45.1
Loc Troi Group Joint Stock Company	Vietnam	VND10,000.00 Ordinary shares	34.4

1. Directly held by parent company of the Group
2. These entities have the same registered address of 1 Basinghall Avenue, London, EC2V 5DD United Kingdom. These partnerships are included within the consolidated financial statements in accordance with note 1(h). Consequently, they have taken advantage of the exemption within the Partnerships (Accounts) Regulations 2008 (regulation 7) from filing annual financial statements
3. These entities have the same registered address of 1 Basinghall Avenue, London EC2V 5DD United Kingdom. These partnerships are not included within the consolidated financial statements because the Group indirectly controls the General Partners, but its management role is limited to defined administrative functions over which it has no discretion. Copies of the latest financial statements will be filed with Companies House
4. No share capital by virtue of being a trust
5. Not consolidated because the Group does not actively manage the funds and activities are limited to finding funds to market. As the entity does not invest on its own account the Group gets no benefit and suffers no risk from the investments
6. Not consolidated because the Group does not control the entity by virtue of the shareholder agreement with Orix Leasing Malaysia Bhd
7. Included within the consolidated financial statements in accordance with note 1(h) as the Group wholly controls the managing entity, Standard Chartered Services of Pakistan (Private) Limited
8. Both are considered to be associates as described in note 23
9. Accounted for as an associate because the Group has significant influence over the management and their financial and operational policies through our representation on their board
10. Joint management is based on significant influence over the management and their financial and operational policies derived from the joint venture agreements

Supplementary information

Supplementary financial information

Average balance sheets and yield

The following tables set out the average balances and yields for the Group's assets and liabilities for the years ended 31 December 2015 and 31 December 2014. For the purpose of the following tables, average balances have generally been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

	2015			
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %
Assets				
Cash and balances at central banks	17,405	62,960	238	0.4
Gross loans and advances to banks	3,573	79,489	1,020	1.3
Gross loans and advances to customers	76	290,624	10,373	3.6
Impairment provisions against loans and advances to banks and customers	–	(4,232)	–	–
Investment securities	7,009	126,654	2,982	2.4
Property, plant and equipment and intangible assets	9,729	–	–	–
Prepayments, accrued income and other assets	103,964	–	–	–
Total average assets	141,756	555,495	14,613	2.6

	2014			
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %
Assets				
Cash and balances at central banks	13,085	58,999	246	0.4
Gross loans and advances to banks	4,235	86,388	1,206	1.4
Gross loans and advances to customers	318	303,132	12,267	4.0
Impairment provisions against loans and advances to banks and customers	–	(2,899)	–	–
Investment securities	7,683	122,611	3,265	2.7
Property, plant and equipment and intangible assets	9,228	–	–	–
Prepayments, accrued income and other assets	108,520	–	–	–
Total average assets	143,069	568,231	16,984	3.0

	2015			
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %
Liabilities				
Deposits by banks	6,516	51,803	396	0.8
Customer accounts:				
Current accounts and savings deposits	44,663	160,569	971	0.6
Time and other deposits	5,325	182,148	2,501	1.4
Debt securities in issue	264	77,736	773	1.0
Accruals, deferred income and other liabilities	100,962	5	–	–
Subordinated liabilities and other borrowed funds	878	21,895	565	2.6
Non-controlling interests	113	–	–	–
Shareholders' funds	47,312	–	–	–
Total average liabilities and shareholders' funds	206,033	494,156	5,206	1.1
Net yield				1.5
Net interest margin				1.7

	2014			
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %
Liabilities				
Deposits by banks	8,191	51,758	408	0.8
Customer accounts:				
Current accounts and savings deposits	34,619	170,022	1,009	0.6
Time and other deposits	2,679	201,809	2,960	1.5
Debt securities in issue	3,082	75,517	866	1.1
Accruals, deferred income and other liabilities	95,638	75	–	–
Subordinated liabilities and other borrowed funds	33	23,817	738	3.1
Non-controlling interests	111	–	–	–
Shareholders' funds	46,339	–	–	–
Total average liabilities and shareholders' funds	190,692	522,998	5,981	1.1
Net yield				1.8
Net interest margin				1.9

Volume and price variances

The following table analyses the estimated change in the Group's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and changes in their respective interest rates for the periods presented. Volume and rate variances have been determined based on movements in average balances and average exchange rates over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Variances caused by changes in both volume and rate have been allocated to changes in volume.

	2015 versus 2014		
	Increase/(decrease) in interest due to:		Net increase/ (decrease) in interest
	Volume $million	Rate $million	$million
Interest-earning assets			
Cash and unrestricted balances at central banks	15	(23)	(8)
Loans and advances to banks	(89)	(97)	(186)
Loans and advances to customers	(446)	(1,448)	(1,894)
Investment securities	95	(378)	(283)
Total interest-earning assets	(425)	(1,946)	(2,371)
Interest-bearing liabilities			
Subordinated liabilities and other borrowed funds	(50)	(123)	(173)
Deposits by banks	–	(12)	(12)
Customer accounts:			
Current accounts and savings deposits	(57)	19	(38)
Time and other deposits	(270)	(189)	(459)
Debt securities in issue	22	(115)	(93)
Total interest-bearing liabilities	(355)	(420)	(775)

	2014 versus 2013		
	Increase/(decrease) in interest due to:		Net increase/ (decrease) in interest
	Volume $million	Rate $million	$million
Interest-earning assets			
Cash and unrestricted balances at central banks	99	(6)	93
Loans and advances to banks	202	(78)	124
Loans and advances to customers	1	(936)	(935)
Investment securities	236	(127)	109
Total interest-earning assets	538	(1,147)	(609)
Interest-bearing liabilities			
Subordinated liabilities and other borrowed funds	142	(59)	83
Deposits by banks	55	(35)	20
Customer accounts:			
Current accounts and savings deposits	57	(62)	(5)
Time and other deposits	58	(468)	(410)
Debt securities in issue	107	(251)	(144)
Total interest-bearing liabilities	419	(875)	(456)

Five-year summary

	2015 $million	2014 $million	2013 $million	2012 $million	2011 $million
Operating profit before impairment losses and taxation	**4,116**	7,289	8,584	8,061	7,720
Impairment losses on loans and advances and other credit risk provisions	**(4,976)**	(2,141)	(1,617)	(1,196)	(908)
Other impairment	**(855)**	(1,161)	(1,129)	(196)	(111)
(Loss)/profit before taxation	**(1,523)**	4,235	6,064	6,851	6,775
(Loss)/profit attributable to shareholders	**(2,194)**	2,613	4,090	4,887	4,849
Loans and advances to banks[1]	**64,494**	83,890	83,702	67,797	65,981
Loans and advances to customers[1]	**257,356**	284,695	290,708	279,638	266,790
Total assets	**640,483**	725,914	674,380	631,208	592,686
Deposits by banks[1]	**37,611**	54,391	43,517	36,427	35,296
Customer accounts[1]	**350,633**	405,353	381,066	372,874	345,726
Shareholders' equity	**46,204**	46,432	46,246	45,362	40,714
Total capital resources[2]	**70,364**	69,685	67,238	64,643	58,092
Information per ordinary share					
Basic earnings per share[3]	**(91.9)c**	97.3c	156.5c	190.1c	191.1c
Normalised earnings per share[3,4]	**(6.6)c**	138.9c	194.2c	214.3c	188.5c
Dividends per share[3]	**13.71c**	81.85c	81.85c	79.95c	72.34c
Net asset value per share	**1,366.0c**	1,833.9c	1,872.8c	1,852.3c	1,653.2c
Net tangible asset value per share	**1,224.1c**	1,610.9c	1,597.6c	1,526.5c	1,355.6c
Return on assets[5]	**(0.3)%**	0.4%	0.6%	0.8%	0.8%
Ratios					
Normalised return on ordinary shareholders' equity[4]	**(0.4)%**	7.8%	11.2%	12.8%	12.2%
Basic cost-income ratio	**73.1%**	60.2%	54.3%	57.1%	56.2%
Cost-income ratio – normalised basis[4]	**67.8%**	58.9%	54.4%	53.7%	56.5%
Capital ratios:					
CET1/Tier 1 capital[6]	**12.6%**	10.5%	10.9%	13.4%	13.7%
Total capital[6]	**19.5%**	16.7%	17.0%	17.4%	17.6%

1. Excludes amounts held at fair value through profit or loss
2. Shareholders' funds, non-controlling interests and subordinated loan capital
3. Restated for the impact of the bonus element included within the 2015 rights issue
4. Results on a normalised basis reflect the Group's results, excluding amortisation and impairment of intangible assets, gains and losses of a capital nature, and gains and losses on repurchase of subordinated liabilities
5. Represents profit attributable to shareholders divided by the total assets of the Group
6. Unaudited

A. Convenience translation of selected financial statements into Indian Rupees

In compliance with clause 37(3) of the Indian Depository Receipts Listing agreement, the Consolidated financial statements on pages 235 to 239 are presented in Indian rupees (INR). Amounts have been translated, including totals and sub-totals, using the US dollar/Indian rupee exchange rate of 66.3260 as at 31 December 2015 as published by Reserve Bank of India. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Consolidated income statement (translated to INR)

For the year ended 31 December 2015

	2015 ₹million	2014 ₹million
Interest income	**969,222**	1,126,481
Interest expense	**(345,293)**	(396,696)
Net interest income	**623,929**	729,785
Fees and commission income	**271,141**	308,482
Fees and commission expense	**(31,903)**	(31,306)
Net trading income	**60,489**	125,754
Other operating income	**90,402**	83,305
Non-interest income	**390,130**	486,236
Operating income	**1,014,058**	1,216,021
Staff costs	**(472,175)**	(450,221)
Premises costs	**(55,117)**	(60,357)
General administrative expenses	**(169,728)**	(179,611)
Depreciation and amortisation	**(44,040)**	(42,382)
Operating expenses	**(741,060)**	(732,571)
Operating profit before impairment losses and taxation	**272,998**	483,450
Impairment losses on loans and advances and other credit risk provisions	**(330,038)**	(142,004)
Other impairment		
Goodwill	**(32,367)**	(50,275)
Other	**(24,342)**	(26,729)
Profit from associates and joint ventures	**12,735**	16,449
(Loss)/profit before taxation	**(101,014)**	280,891
Taxation	**(44,637)**	(101,479)
(Loss)/profit for the year	**(145,652)**	179,412
Profit attributable to:		
Non-controlling interests	**(133)**	6,102
Parent company shareholders	**(145,519)**	173,310
(Loss)/profit for the year	**(145,652)**	179,412

	Rupees	Rupees
Earnings per share:		
Basic earnings per ordinary share	**(61.0)**	64.5
Diluted earnings per ordinary share	**(61.0)**	64.1
Dividends per ordinary share:		
Final dividend recommended/paid	**–**	36.11
Interim dividend	**9.09**	18.18
Total dividend for the year	**9.09**	54.29

	₹million	₹million
Total dividend:		
Final dividend recommended/paid	**–**	93,652
Interim dividend	**24,275**	47,091
Total dividend for the year	**24,275**	140,744

Consolidated statement of comprehensive income (translated to INR)

For the year ended 31 December 2015

	2015 ₹million	2014 ₹million
(Loss)/profit for the year	**(145,652)**	179,412
Other comprehensive (loss)/income:		
Items that will not be reclassified to Income statement:		
Actuarial losses on retirement benefit obligations	**(3,781)**	(4,046)
Items that may be reclassified subsequently to Income statement:		
Exchange differences on translation of foreign operations:		
Net losses taken to equity	**(132,851)**	(72,295)
Net gains on net investment hedges	**5,969**	1,327
Share of other comprehensive income from associates and joint ventures	**–**	1,128
Available-for-sale investments:		
Net valuation (losses)/gains taken to equity	**(3,781)**	31,770
Reclassified to income statement	**(21,755)**	(28,056)
Cash flow hedges:		
Net losses taken to equity	**(4,709)**	(7,694)
Reclassified to income statement	**7,097**	862
Taxation relating to components of other comprehensive (loss)/income	**1,658**	(1,459)
Other comprehensive loss for the year, net of taxation	**(152,152)**	(78,464)
Total comprehensive (loss)/income for the year	**(297,804)**	100,948
Total comprehensive (loss)/income attributable to:		
Non-controlling interests	**(2,653)**	4,179
Parent company shareholders	**(295,151)**	96,770
	(297,804)	100,948

Consolidated balance sheet (translated to INR)

As at 31 December 2015

	2015 ₹million	2014 ₹million
Assets		
Cash and balances at central banks	**4,331,884**	6,452,326
Financial assets held at fair value through profit or loss	**1,552,095**	2,163,753
Derivative financial instruments	**4,188,023**	4,366,506
Loans and advances to banks	**4,277,629**	5,564,088
Loans and advances to customers	**17,069,394**	18,882,681
Investment securities	**7,612,036**	6,913,690
Other assets	**2,294,946**	2,566,087
Current tax assets	**25,734**	24,010
Prepayments and accrued income	**144,193**	175,565
Interests in associates and joint ventures	**128,473**	130,132
Goodwill and intangible assets	**307,885**	344,232
Property, plant and equipment	**478,144**	529,547
Deferred tax assets	**70,239**	34,357
Total assets	**42,480,675**	48,146,972
Liabilities		
Deposits by banks	**2,494,587**	3,607,537
Customer accounts	**23,256,084**	26,885,443
Financial liabilities held at fair value through profit or loss	**1,384,356**	1,485,039
Derivative financial instruments	**4,108,166**	4,199,298
Debt securities in issue	**3,971,601**	4,772,222
Other liabilities	**2,123,162**	2,071,825
Current tax liabilities	**51,005**	59,096
Accruals and deferred income	**361,543**	392,318
Subordinated liabilities and other borrowed funds	**1,449,356**	1,521,983
Deferred tax liabilities	**19,434**	16,316
Provisions for liabilities and charges	**14,260**	8,556
Retirement benefit obligations	**29,515**	27,393
Total liabilities	**39,263,069**	45,047,027
Equity		
Share capital	**108,708**	81,979
Share premium	**361,410**	363,599
Other reserves	**807,983**	642,699
Retained earnings	**1,786,424**	1,991,372
Total parent company shareholders' equity	**3,064,527**	3,079,649
Other equity instruments	**131,790**	–
Total equity excluding non-controlling interests	**3,196,316**	3,079,649
Non-controlling interests	**21,291**	20,296
Total equity	**3,217,607**	3,099,945
Total equity and liabilities	**42,480,675**	48,146,972

Consolidated statement of changes in equity (translated to INR)

For the year ended 31 December 2015

	Share capital and share premium account ₹million	Other equity instru-ments ₹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 share-holders' equity ₹million	Non-controlling interests ₹million	Total ₹million
As at 1 January 2014	444,848	–	1,194	823,835	29,581	995	(139,683)	1,906,541	3,067,312	39,464	3,106,776
Profit for the year	–	–	–	–	–	–	–	173,310	173,310	6,102	179,412
Other comprehensive income/(loss)	–	–	–	–	663	(4,775)	(69,112)	(3,316)[2]	(76,540)	(1,923)	(78,464)
Distributions	–	–	–	–	–	–	–	–	–	(3,980)	(3,980)
Shares issued, net of expenses	730	–	–	–	–	–	–	–	730	–	730
Net own shares adjustment	–	–	–	–	–	–	–	(6,168)	(6,168)	–	(6,168)
Share option expense, net of taxation	–	–	–	–	–	–	–	16,383	16,383	–	16,383
Dividends, net of scrip	–	–	–	–	–	–	–	(96,239)	(96,239)	–	(96,239)
Other increases/(decreases)[3]	–	–	–	–	–	–	–	862	862	(19,367)	(18,505)
As at 31 December 2014	**445,578**	**–**	**1,194**	**823,835**	**30,245**	**(3,781)**	**(208,794)**	**1,991,372[2]**	**3,079,649**	**20,296**	**3,099,945**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(145,519)**	**(145,519)**	**(133)**	**(145,652)**
Other comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(21,490)**	**730**	**(124,560)**	**(4,311)[2]**	**(149,631)**	**(2,520)**	**(152,152)**
Distributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,724)**	**(1,724)**
Shares issued, net of expenses	**24,541**	**–**	**–**	**310,605**	**–**	**–**	**–**	**–**	**335,145**	**–**	**335,145**
Other equity instruments issued, net of expenses	**–**	**131,790**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,847)**	**(3,847)**	**–**	**(3,847)**
Share option expense, net of taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9,816**	**9,816**	**–**	**9,816**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(61,086)**	**(61,086)**	**–**	**(61,086)**
Other increases[4]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,372**	**5,372**
As at 31 December 2015	**470,119**	**131,790**	**1,194**	**1,134,440**	**8,755**	**(3,051)**	**(333,354)**	**1,786,424**	**3,196,316**	**21,291**	**3,217,607**

1. Includes capital reserve of ₹332 million and capital redemption reserve of ₹862 million
2. Comprises actuarial gains, net of taxation and non-controlling interests of ₹4,444 million (2014: ₹3,117 million)
3. Relate to the redemption of $300 million 7.267 per cent Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited
4. Additional investment from non-controlling interests in one of the Group's subsidiary undertakings

Cash flow statement (translated to INR)

For the year ended 31 December 2015

	Group		Company	
	2015 ₹million	2014 ₹million	**2015 ₹million**	2014 ₹million
Cash flows from operating activities				
(Losses)/profit before taxation	**(101,014)**	280,891	**58,566**	98,361
Adjustments for:				
Non-cash items and other adjustments included within income statement	**460,899**	296,477	**(16,316)**	(49,546)
Change in operating assets	**2,442,057**	(905,814)	**13,862**	5,903
Change in operating liabilities	**(4,659,004)**	3,934,525	**(3,781)**	17,576
Contributions to defined benefit schemes	**(7,230)**	(6,500)	**–**	–
UK and overseas taxes paid	**(85,229)**	(113,285)	**(1,525)**	–
Net cash (used in)/from operating activities	**(1,949,520)**	3,486,294	**50,806**	72,295
Cash flows from investing activities				
Purchase of property, plant and equipment	**(9,087)**	(12,536)	**–**	–
Disposal of property, plant and equipment	**7,230**	4,444	**–**	–
Acquisition of investment in subsidiaries, net of cash acquired	**–**	(4,245)	**(232,141)**	(315,645)
Disposal of subsidiaries	**44,239**	–	**–**	–
Purchase of investment securities	**(13,896,557)**	(13,003,478)	**–**	(245,274)
Disposal and maturity of investment securities	**12,963,881**	12,738,240	**–**	119,453
Dividends received from associates and joint ventures	**796**	862	**64,535**	99,091
Net cash used in investing activities	**(889,498)**	(276,712)	**(167,606)**	(342,375)
Cash flows from financing activities				
Issue of ordinary and preference share capital, net of expenses	**335,145**	730	**335,145**	730
Issue of Additional Tier 1 capital, net of expenses	**131,790**	–	**–**	–
Purchase of own shares	**(4,510)**	(7,296)	**(4,510)**	(7,296)
Exercise of share options	**663**	1,128	**663**	1,128
Interest paid on subordinated liabilities	**(71,765)**	(72,295)	**(40,194)**	(28,785)
Gross proceeds from issue of subordinated liabilities	**–**	310,671	**–**	310,671
Repayment of subordinated liabilities	**(332)**	(140,213)	**–**	–
Investment/(repayment) to non-controlling interests	**5,439**	(19,765)	**–**	–
Interest paid on senior debts	**(38,734)**	(49,081)	**(30,510)**	(40,127)
Gross proceeds from issue of senior debts	**357,364**	436,359	**281,753**	334,814
Repayment of senior debts	**(460,767)**	(425,017)	**(301,651)**	(269,483)
Dividends paid to non-controlling interests, Additional Tier 1 securities holders and preference shareholders	**(12,735)**	(10,678)	**(11,010)**	(6,699)
Dividends paid to ordinary shareholders, net of scrip	**(50,076)**	(89,540)	**(50,076)**	(89,540)
Net cash from/(used in) financing activities	**191,483**	(64,999)	**311,401**	205,412
Net (decrease)/increase in cash and cash equivalents	**(2,647,535)**	3,144,582	**194,601**	(64,668)
Cash and cash equivalents at beginning of the year	**8,613,758**	5,581,731	**1,166,210**	1,230,878
Effect of exchange rate movements on cash and cash equivalents	**(101,147)**	(112,555)	**–**	–
Cash and cash equivalents at end of the year	**5,865,076**	8,613,758	**1,360,811**	1,166,210

Company balance sheet (translated to INR)

As at 31 December 2015

	2015 ₹million	2014 ₹million
Non-current assets		
Investments in subsidiary undertakings	**1,882,398**	1,650,257
Current assets		
Derivative financial instruments	**42,382**	57,372
Investment securities	**816,407**	816,407
Amounts owed by subsidiary undertakings	**1,360,811**	1,166,210
	2,219,600	2,039,989
Current liabilities		
Derivative financial instruments	**95,377**	31,638
Other creditors	**25,668**	26,995
Taxation	**1,525**	3,316
Deferred income	**–**	1,194
	122,570	63,142
Net current assets	**2,097,029**	1,976,846
Total assets less current liabilities	**3,979,427**	3,627,104
Non-current liabilities		
Debt securities in issue	**1,146,976**	1,236,184
Subordinated liabilities and other borrowed funds	**911,054**	940,304
	2,058,029	2,176,488
Total assets less liabilities	**1,921,398**	1,450,616
Equity		
Share capital	**108,708**	81,979
Share premium	**361,410**	363,599
Other reserves	**1,135,634**	825,029
Retained earnings	**183,856**	180,009
Total shareholders' equity	**1,789,608**	1,450,616
Other equity instruments	**131,790**	–
Total equity	**1,921,398**	1,450,616

Company statement of changes in equity (translated to INR)

For the year ended 31 December 2015

	Share capital and share premium account ₹million	Other equity instruments ₹million	Capital and capital redemption reserve[1] ₹million	Merger reserve ₹million	Retained earnings ₹million	Total ₹million
As at 1 January 2014	444,848	–	1,194	823,835	167,672	1,437,550
Profit for the year	–	–	–	–	98,295	98,295
Shares issued, net of expenses	730	–	–	–	–	730
Net own shares adjustment	–	–	–	–	(6,168)	(6,168)
Share option expense	–	–	–	–	16,449	16,449
Dividends, net of scrip	–	–	–	–	(96,239)	(96,239)
As at 31 December 2014	**445,578**	**–**	**1,194**	**823,835**	**180,009**	**1,450,616**
Profit for the year	**–**	**–**	**–**	**–**	**58,566**	**58,566**
Shares issued, net of expenses	**24,541**	**–**	**–**	**310,605**	**–**	**335,145**
Other equity instruments issued, net of expenses	**–**	**131,790**	**–**	**–**	**–**	**131,790**
Net own shares adjustment	**–**	**–**	**–**	**–**	**(3,847)**	**(3,847)**
Share option expense	**–**	**–**	**–**	**–**	**10,214**	**10,214**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**(61,086)**	**(61,086)**
As at 31 December 2015	**470,119**	**131,790**	**1,194**	**1,134,440**	**183,856**	**1,921,398**

1. Includes capital reserve of ₹332 million and capital redemption reserve of ₹862 million

B. Summary of significant differences between Indian GAAP and IFRS

The consolidated financial statements of the Group for the year ended 31 December 2015 with comparatives as at 31 December 2014 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 31 December 2015, and year ended 31 December 2014 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 years ended on or prior to 31 December 2015. 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. Finally, no attempt has been made to identify all differences between IFRS and Indian GAAP that may affect the financial statements as a result of transaction or events that may occur in the future.

In making an investment decision, potential investors should consult their own professional advisors 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.

A foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

At each balance sheet date:

a) foreign currency monetary items should be reported using the closing rate;

b) non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction; and

c) non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency should be reported using the exchange rates that existed when the values were determined.

Consolidation

IFRS (IFRS 10 Consolidated 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 also 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.

No specific guidance is given by Indian GAAP on consolidation of Structured Entities.

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 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.

B. Summary of significant differences between Indian GAAP and IFRS continued

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.

Property, plant and equipment

IFRS (IAS 16 Property, Plant and Equipment, IAS 23 Borrowing Costs)
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

B. Summary of significant differences between Indian GAAP and IFRS continued

- 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.

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 Bank of 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 *Financial Instruments: Recognition and Measurement* provides guidance on classification criteria and measurement requirements, however, this is not mandatory.

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 AS 30 is not mandatory. However, requirements of AS 30 with respect to hedge accounting are largely similar to that of IAS 39. For banks, there are guidelines prescribed by RBI on measurement and accounting of IRS and FRA entered onto for hedging purposes.

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)
Long-term 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 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 that entitles the originator to repurchase the financial assets transferred under a securitisation transaction from the transferee.

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.

B. Summary of significant differences between Indian GAAP and IFRS continued

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 there is no requirement for discounting the provision or liability.

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.

Share-based compensation
IFRS (IFRS 2 Share-based payments)
IFRS 2 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.

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 The Reporting 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.

Supplementary people information

Countries	2015	2014	2013
Global	**67**	71	71

Workforce profile

Headcount	2015	2014	2013
Global total	**84,076**	90,940	86,640
of which businesses	**42,036**	49,638	46,892
of which support services	**42,040**	41,302	39,748
(Decline)/growth	**(6,864)**	4,300	(2,418)
(Decline)/growth percentage	**(8.0)%**	5.0%	(2.7)%

Location of employees (by region)	2015 %	2014 %	2013 %
Greater China	**20**	21	22
North East Asia	**5**	6	7
South Asia	**27**	25	24
ASEAN	**25**	25	25
MENAP	**9**	9	9
Africa	**10**	10	9
Americas	**1**	1	1
Europe	**3**	3	3

Employee attrition	2015 %	2014 %	2013 %
Employee turnover rate	**21.7**	18.5	19.5
Employee voluntary turnover rate	**16.7**	15.1	15.9

Years of service	2015 %	2014 %	2013 %
0-5 years	**59**	61	58
5-10 years	**23**	22	25
> 10 years	**18**	17	17

Age of employees	2015 %	2014 %	2013 %
< 30 years	**29**	32	33
30-50 years	**65**	62	61
> 50 years	**6**	6	6

Gender	2015 %	2014 %	2013 %
Female representation	**47**	47	47
Female senior management[1]	**12**	15	16
Female executive and non-executive director[2]	**23**	11	14

Gender per region (female)	2015 %	2014 %	2013 %
Greater China	**64**	63	63
North East Asia	**57**	50	50
South Asia	**30**	30	30
ASEAN	**54**	54	54
MENAP	**30**	30	30
Africa	**50**	50	50
Americas	**44**	43	42
Europe	**44**	44	44

1. Director, bands 1 and 2
2. As at 31 December 2015, the Board comprised 23 per cent women. As at 23 February 2016, the Board comprised 20 per cent women

Nationalities (aggregate number)	2015	2014	2013
Global	135	133	132
Senior management[1]	32	29	27

Nationalities (percentage of total workforce)	2015 %	2014 %	2013 %
Greater China	20	20	21
North East Asia	5	6	7
South Asia	31	28	27
ASEAN	21	21	21
MENAP	6	7	7
Africa	10	10	9
Americas	2	2	2
Europe	3	4	4
Other	2	3	4

Talent management, learning and development

Learning	2015	2014	2013
Employees receiving training (%)	93	94	97
High potential employee receiving training (%)	91	97	100
Average number of training days per employee	3.3	3.2	3.4
Average spend on training per employee ($)	781	764	800

Talent deployment	2015	2014	2013
Graduate recruitment programmes	223	375	382
Internal cross-border moves initiated in year	264	204	235

Performance and reward

Performance management	2015 %	2014 %	2013 %
Employees appraised	99	98	99
Employees reviewed against agreed objectives and values	99	100	99

Reward	2015	2014	2013
Total staff costs ($million)	7,119	6,788	6,570
Discretionary annual incentives pool ($million)	855	1,098	1,208

Absenteeism	2015 %	2014 %	2013 %
Sick leave absence/days lost	0.8	0.8	0.9
Employees that have taken sick leave	43	37	42

1. Director, bands 1 and 2

Supplementary sustainability information

Contributing to sustainable economic growth

Access to financial services

Microfinance

	2015	2014	2013
Loans extended ($million)	**271.6**	318.1	271.0
Individuals impacted (million)[1]	**1.8**	2.1	1.8

1. Based on an assumption of average loan size of $150 in local currency

Clean technology

	2015	2014	2013
Value of funds provided and facilitated ($million)	**883.3**	798.6	945.7

Environmental and social risk management

Employees trained in environmental and social risk management[1]

	2015	2014	2013
Employees trained[2]	**1,708**	2,477	1,374

1. Data in this table has been restated from 2013
2. Employees targeted for training are those in client-facing roles and relevant support teams

Equator principles

Project finance mandates

	Cat A[1]	Cat B[2]	Cat C[3]
Total 2012	3	17	–
Total 2013	9	29	3
Total 2014	3	11	–
Total 2015	**4**	**9**	**–**
2015			
Sector			
Mining	–	–	–
Infrastructure	–	2	–
Oil and Gas	1	3	–
Renewables	–	1	–
Telecoms	–	–	–
Power	3	3	–
Other	–	–	–
Region			
Greater China	–	–	–
North East Asia	–	–	–
South Asia	–	1	–
ASEAN	1	1	–
MENAP	1	3	–
Africa	1	2	–
Americas	1	2	–
Europe	–	–	–
Designation[4]		–	
Designated	–	3	–
Non-designated	4	6	–
Independent review			
Yes	4	8	–
No	–	1	–

1. 'Cat A' or Category A are projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented
2. 'Cat B' or Category B are projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures
3. 'Cat C' or Category C are projects with minimal or no adverse environmental and social risks and/or impacts
4. 'Designation' is split into designated and non-designated countries. Designated countries are deemed by the Equator Principles to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. Non-designated countries are countries that are not found on the list of designated countries. The list of countries can be found at www.equator-principles.com

Project-related corporate loans	Cat A	Cat B	Cat C
Total 2012	–	–	–
Total 2013	–	–	–
Total 2014	1	4	–
Total 2015	**–**	**1**	**–**
2015			
Sector			
Mining	–	–	–
Infrastructure	–	–	–
Oil and Gas	–	–	–
Renewables	–	–	–
Telecoms	–	–	–
Power	–	–	–
Other	–	1	–
Region			
Greater China	–	–	–
North East Asia	–	–	–
South Asia	–	1	–
ASEAN	–	–	–
MENAP	–	–	–
Africa	–	–	–
Americas	–	–	–
Europe	–	–	–
Designation			
Designated	–	–	–
Non-designated	–	1	–
Independent review			
Yes	–	–	–
No	–	1	–

Project advisory mandates	Mandates
Total 2012	7
Total 2013	4
Total 2014	5
Total 2015	**0**

Being a responsible company

Financial crime prevention

	2015	2014
Number of staff completing anti-money laundering (AML) and sanctions e-learning	**87,612**	85,586
Number of staff completing anti-bribery and corruption e-learning	**92,066**	94,920

Environment	2015		2014		2013	
	Measured	Scaled-up	Measured	Scaled-up	Measured	Scaled-up
Offices reporting	190	–	201	–	201	–
Net internal area of occupied property (m^2)	846,480	1,261,320	891,338	1,308,959	879,815	1,354,541
Green lease clause inclusion[1] (%)	67	–	–	–	–	–
Occupied net internal area where data is collected (%)	73	–	75	–	72	–
Full-time employees (FTE)	58,528	84,076	78,216	90,940	73,851	86,640
Annual operating income ($m) from 1 October to 30 September ($m)	–	17,566	–	18,105	–	19,298
Greenhouse gas emissions – Absolute (tonnes CO_2eq/year)						
Scope 1 emissions (combustion of fuels)	8,865	16,904	11,307	20,144	13,687	23,878
Scope 2 emissions (purchased electricity)	132,030	184,912	140,825	192,403	161,877	226,727
Scope 1 & 2 emissions	140,895	201,816	152,132	212,547	175,564	250,605
Scope 3 emissions without distance uplift (air travel)	54,519	54,519	54,216	55,296	50,220	55,127
Scope 3 emissions with distance uplift (air travel)	59,426	59,426	59,095	60,273	54,739	60,087
Scope 1, 2 & 3 emissions	195,414	256,335	206,348	267,843	225,784	305,732
Scope 3 emissions (Global Data Centre)[2]	–	19,339	–	–	–	–
Greenhouse gas emissions – Intensity						
Scope 1 & 2 emissions/m^2 (kg CO_2eq/m^2/year)	166	160	171	162	200	185
Scope 1 & 2 emissions/FTE (tonnes CO_2eq/FTE/year)	2.41	2.40	1.95	2.34	2.38	2.89
Scope 3 emissions/FTE without distance uplift (tonnes CO_2eq/FTE/year)	0.64	0.65	0.54	0.54	0.63	0.63
Scope 3 emissions/FTE with distance uplift (tonnes CO_2eq/FTE/year)	0.69	0.71	0.58	0.58	0.69	0.69
Scope 1, 2 & 3 emissions/m^2 (kg CO_2eq/m^2/year)	231	203	232	205	257	226
Scope 1, 2 & 3 emissions/FTE (tonnes CO_2eq/FTE/year)	3.34	3.05	2.64	2.95	3.06	3.53
Scope 1 & 2 emissions/$m operating income (tonnes CO_2eq/$m/year)	–	11.49	–	11.74	–	12.99
Scope 1, 2 & 3 emissions/$m operating income (tonnes CO_2eq/$m/year)	–	14.59	–	14.79	–	15.84
Environmental resource efficiency						
Energy						
Indirect non-renewable energy consumption[3] (GWh/year)	201	284	215	298	226	328
Indirect renewable energy consumption[4] (GWh/year)	14	13	8	8	13	13
Direct non-renewable energy consumption[5] (GWh/year)	36	68	46	86	51	90
Direct renewable energy consumption[6] (GWh/year)	–	–	–	–	–	–
On-site renewable energy consumption[7] (MWh/year)	276	276	115	115	115	115
Energy consumption[8] (GWh/year)	252	365	287	405	291	431
Energy consumption/FTE (kWh/FTE/year)	4,306	4,341	3,669	4,453	3,940	4,975
Energy consumption/m^2 (kWh/m^2/year)	298	289	322	309	334	320
Water						
Water consumption (ML/year)	793	1,037	814	1,191	838	1,902
Water consumption/FTE (m^3/FTE/year)	14	12	10	13	11	22
Water consumption/m^2 (kL/m^2/year)	0.94	0.82	1.03	0.91	1.06	1.40
Paper						
Print paper consumption (ktonnes/year)	1.04	1.50	1.51	1.75	1.51	1.77
Print paper consumption/FTE (kg/FTE/year)	17.70	17.70	19.25	19.25	20.43	20.43
Waste						
Waste (ktonnes/year)	5.2	6.6	5.9	7.2	5.5	8.1
Waste/FTE (kg/FTE/year)	89	79	75	79	74	93
Waste reused or recycled (%)	27	27	28	28	30	30
Retired IT equipment reused or recycled (ktonnes/year)	0.19	0.19	0.16	0.28	0.11	0.15

1. Percentage of green lease clause inclusion in all new and renewed leases within the reporting year, please refer to the eco efficiency criteria for more information
2. Scope 3 emissions calculated from total energy consumption from our outsourced global data centres
3. Indirect non-renewable energy refers to purchased electricity from non-renewable sources
4. Indirect renewable energy refers to purchased electricity from off-site renewable sources
5. Direct non-renewable energy refers to the gross calorific values of fuels consumed on-site
6. Direct renewable energy refers to the gross calorific values of renewable fuels consumed on-site
7. On-site renewable energy refers to renewable energy generated and consumed on-site
8. The 2014 measured energy total of 287 GWh includes an estimated 18 GWh of energy for locations where invoices were not available at the reporting date

Additional notes on environment data

The emissions within our inventory correspond to a reporting period of 1 October 2014 to 30 September 2015. This is to allow sufficient time for independent assurance to be gained prior to the publication of results. Accordingly, the operating income used in this inventory corresponds to the same period rather than the calendar year used in financial reporting. This is consistent with international carbon reporting practice.

'Measured' data is collected from Global Environment Management System (GEMS) properties, defined as all properties that are over 10,000 square feet for energy and water. For paper and business travel, it is defined per full-time employee.

'Scaled-up' data is an extrapolation made from measured data to account for 100 per cent of the Group's occupied property footprint for energy and water. For paper and business travel, it is defined per full-time employee (as at the end of the reporting period).

Carbon abatement benefit from indirect renewable energy is not taken into account.

Total energy use is normalised to reflect periods of vacancy in certain sites during the reporting period.

Net internal areas used for water use intensity do not include sites that have reported zero water consumption in demised areas.

Warehouses, empty land, car parks, unoccupied sites for business continuity purposes, residential properties, space occupied by automated teller machines, vaults and space sub-let to tenants are excluded from this extrapolation.

Scope 3 emissions are drawn from reliable data collected from 36 countries, based on seating class and distance flown.

As we operate largely outside of the UK, all flights domestic or international with flight distance of less than 463km, labelled by the Department for Environment, Food and Rural Affairs (DEFRA) as 'domestic flights', have been classified as 'short haul'. All flights with distance flown ranging from 463 to 1,108km, labelled by DEFRA as 'short haul' have been classified as 'medium haul'.

PwC is our independent third-party assurance provider for Greenhouse Gas (GHG) emissions. In 2015, our measured Scope 1 and Scope 2 emissions were assured by PwC, ensuring the accuracy and credibility of our reporting. For additional information, review the Independent Assurance Report on www.sc.com/EnvironmentalAssurance

Investing in communities

Community expenditure

	2015 $million	2014 $million	2013 $million
Cash contributions	**24.5**	25.2	15.4
Employee time (non-cash item)	**20.0**	23.6	24.2
Gifts in Kind (non-cash item)[1]	**0.1**	0.1	0.2
Management costs	**5.5**	5.8	6.0
Total (direct investment by the Group)	**50.1**	54.7	45.7
Leverage[2]	**10.2**	9.5	8.4
Total (incl. leverage)[3]	**60.3**	64.2	54.1
Percentage of prior year operating profit (PYOP)	**1.42**	1.06	0.79

1. Gifts in Kind comprises all non-monetary donations
2. Leverage data relates to the proceeds from staff and other fundraising activity
3. Total figures subject to rounding

Shareholder information

Dividend and interest payment dates

Ordinary shares

On 3 November 2015, the Board announced, as part of the 2015 strategic review, it had taken the decision to pay no final dividend for the year ended 31 December 2015.

Preference shares	1st half yearly dividend	2nd half yearly dividend
7⅜ per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2016	1 October 2016
8¼ per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2016	1 October 2016
6.409 per cent Non-cumulative redeemable preference shares of $5 each	30 January 2016	30 July 2016
7.014 per cent Non-cumulative redeemable preference shares of $5 each	30 January 2016	30 July 2016

Annual general meeting

The annual general meeting (AGM) details are as follows:

Date and time	Location
Wednesday 4 May 2016 11.00am London time (6.00pm Hong Kong time)	etc venues 200 Aldersgate St Paul's London EC1A 4HD

Details of the business to be transacted at the AGM are included in the Notice of AGM.

Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website at investors.sc.com

Interim results

The interim results will be announced to the London Stock Exchange, The Hong Kong Stock Exchange, the Bombay Stock Exchange and the National Stock Exchange of India and put on the Company's website.

Country-by-country reporting

In accordance with the requirements of the Capital Requirements (country-by-country reporting) Regulations 2013, the Group will publish additional country-by-country information in respect of the year ended 31 December 2015, on or before 31 December 2016. We have also published our approach to tax and tax policy.

This information will be available on the Group's website at sc.com

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 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 investors.sc.com/en/resource.cfm or contact the shareholder helpline on 0370 702 0138.

Previous dividend payments (unadjusted for the impact of the 2015/2010/2008 Rights Issues)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
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[1]	£17.394/$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK$3.623404/INR1.9975170[1]	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125[1]	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015[1]	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950[1]	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575[1]	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813[1]	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626[1]	£11.949$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560[1]	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059[1]	£9.797/$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK$1.115985456/INR0.86139372[1]	£8.5226/$13.34383

1. The INR dividend is per Indian Depository Receipt

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. There is no implication for Capital Gains Tax (no gain or loss) when you donate shares to charity, and UK taxpayers may be able to claim income tax relief on the value of their donation.

Further information can be obtained from the Company's registrars or from ShareGift on 020 7930 3737 or from www.ShareGift.org

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 UK register, please contact our registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 7ZY or call the shareholder helpline number on 0370 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, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad Soo 032, India.

Chinese translation

If you would like a Chinese version of the 2015 Annual Report and Accounts please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本年報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 Annual Report and Accounts, 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 or the US will be sent to you with your dividend documents.

Electronic communications

If you hold your shares on the UK register and in future you would like to receive the Annual Report and Accounts electronically rather than by post, please register online at: www.investorcentre.co.uk. Then click on Register and follow the instructions. You will need to have your Shareholder or ShareCare reference number when you log on. You can find this on your share certificate or ShareCare statement. Once registered you can also submit your proxy vote and dividend election electronically, and change your bank mandate or address information.

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, future business combinations or dispositions and other factors specific to the Group.

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group.

Except as required by any applicable regulations, the Group expressly disclaims any 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.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer or solicitation of any securities, or any advice or recommendation with respect to any securities, in any jurisdiction.

Major awards 2015

Banking awards

Asia Risk Awards 2015
- Credit Derivatives House of the Year – Regional
- Currency Derivatives House of the Year – Regional

The Asset Benchmark Research Awards 2015
- Top Bank in the Secondary Market – Government Bonds (Offshore), Rank 1 – China
- Top Bank in the Secondary Market – Government Bonds, Rank 1 – Hong Kong
- Top Bank in the Secondary Market – Government Bonds, Rank 2 – India
- Top Bank in the Secondary Market – Government Bonds, Rank 3 – Indonesia
- Top Bank in the Secondary Market – Government Bonds (Offshore), Rank 1 – Korea
- Top Bank in the Secondary Market – Government Bonds, Rank 3 – Malaysia
- Top Bank in the Secondary Market – Government Bonds, Rank 1 – Singapore
- Top Bank in the Secondary Market – Government Bonds, Rank 1 – Thailand
- Top Bank in the Secondary Market – Corporate Bonds, Rank 2 – Hong Kong
- Top Bank in the Secondary Market – Corporate Bonds (Offshore), Rank 3 – Korea
- Top Bank in the Secondary Market – Offshore Renminbi, Rank 2 – Asia

The Asset Servicing, Fund Management and Investor Awards 2015
- Best Fund Administrator – Retail Funds
- Best Subcustodian
- Custody Specialist – Best Custody Specialist – Africa
- Mandate of the Year – Best Fund Administration Mandate (Retail Funds) – Global
- Best Domestic Custody – India – Rising Star
- Best Fund Administrator (Retail Funds) – India – Rising Star
- Best Fund Administrator (Retail Funds) – Korea
- Best SubCustody – Pakistan
- Best SubCustody – Vietnam
- Best Domestic Custody – Vietnam
- Best Fund Administrator (Retail Funds) – Vietnam

The Asset Triple A Country Awards 2015
- Best Bank in Vietnam
- Best M&A Advisor in Korea

The Asset Triple A Islamic Finance Awards 2015
- Best Loan House
- Sukuk House of the Year, Middle East
- Sukuk House of the Year, UAE

The Asset Triple A Treasury, Trade and Risk Management Awards 2015
- Best Structured Trade Finance Bank – Regional
- Best Renminbi Bank – Regional
- Best Regional Specialist FI/NBFI – Asia
- Best Treasury and Cash Management Bank – MENAP
- Best Treasury and Cash Management Bank – North Asia
- Best Working Capital Trade Finance Bank – South Asia
- Best Working Capital Trade Finance Bank – MENAP
- SME Bank for Treasury/ Working Capital Management – Hong Kong
- SME Bank for Treasury/ Working Capital Management – Korea
- SME Bank for Treasury/ Working Capital Management – Pakistan
- MNC/Large Corporate Bank for Treasury/Working Capital Management – Bangladesh
- MNC/Large Corporate Bank for Treasury/Working Capital Management – India
- MNC/Large Corporate Bank for Treasury/Working Capital Management – Pakistan
- MNC/Large Corporate Bank for Treasury/Working Capital Management – Sri Lanka
- FI and NBFI Bank for Treasury/ Working Capital Management – China
- NBFI Bank for Treasury/ Working Capital Management – India
- FI and NBFI Bank for Treasury/ Working Capital Management – Pakistan
- FI and NBFI Bank for Treasury/ Working Capital Management – Vietnam
- Best Transaction Bank – South Korea
- Best Cash Management Bank – Bangladesh
- Best Cash Management Bank – Hong Kong
- Best Cash Management Bank – South Korea
- Best Cash Management Bank – Pakistan
- Best Liquidity Management Bank – China
- Best Renminbi Bank – Hong Kong
- Best Structured Trade Finance Bank – Indonesia
- Best Structured Trade Finance Bank – Thailand
- Best Structured Trade Finance Bank – South Korea
- Best Trade Finance Bank – Bangladesh
- Best Trade Finance Bank – India

Awards for Excellence 2015 (poll)
- Trade Finance Awards – Best Trade Bank in Sub-saharan Africa

The Banker Transaction Banking Awards 2015
- Best Transaction Bank – Africa

The Banker Transaction Banking Awards 2015
- Best Transaction Bank for Payments

Central Banking Awards 2015
- Foreign Exchange Dealer of the Year – Global

EMEA Finance Achievement Awards 2015
- Best Islamic Finance House

Euromoney Awards for Excellence 2015 – Country awards (Africa)
- Best Bank in Zambia

Euromoney Awards for Excellence 2015 – Regional awards (Africa)
- Best Transaction Services House in Africa

Sustainability indices

Euromoney Awards for Excellence 2015 – Regional awards (Middle East)
- Best Risk Advisor in the Middle East
- Best Flow House in the Middle East

Global Finance Stars of China 2015
- Best Subcustodian – China
- Best for Small Business Lending – China

Global Finance Stars of China 2015
- Best Supply Chain Finance Provider – China

Global Finance World's Best Subcustodian Banks Award 2015
- Best Subcustodian Bank (Country) – Indonesia
- Best Subcustodian Bank (Country) – Jordan
- Best Subcustodian Bank (Country) – Vietnam

Power in Africa Awards
- The Investors Spirit of Africa Award

Dow Jones Sustainability Index
We were included in the Dow Jones Sustainability Index (DJSI) World Index and Europe Index. We were noted for our strong performance in brand management, environmental reporting, corporate citizenship, stakeholder engagement and financial inclusion.

FTSE4Good
We were listed in the FTSE4Good Index. The FTSE4Good measures the performance of companies that meet globally recognised corporate responsibility standards.

Carbon Disclosure Project
We were selected for the UK FTSE Carbon Disclosure Leadership Index and for the second consecutive year were on the A List: The Carbon Disclosure Project (CDP) Climate Performance Leadership Index.

Glossary

Additional Tier 1 capital
Additional Tier 1 (AT1) capital consists of instruments issued by the Group and related share premiums that meet the criteria for inclusion in AT1 capital (and are not included in Common Equity Tier 1), and regulatory adjustments required in the calculation of AT1 capital.

Additional value adjustment
See 'Prudential valuation adjustment'.

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

Advances-to-deposits ratio
The ratio of total loans and advances to customers relative to total customer deposits. A low advances-to-deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.

ASEAN
Association of South East Asian Nations (ASEAN) which includes the Group's operation in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

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.

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

Basel II
The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards'.

Basel III
In December 2010, the Basel Committee on Banking Supervision issued the Basel III rules text, which was 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 Prudential Regulation Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms.

Capital Adequacy Directive 2 (CAD2)
An amendment to CAD 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 Requirements Directive (CRD) IV
Represents the CRD and Capital Requirements Regulation that implement the Basel III proposals in Europe.

Capital resources
Sum of Tier 1 and Tier 2 capital after regulatory adjustments.

Claw-back
Remuneration already paid to an individual, which has to be returned to the Group under certain circumstances.

Client due diligence (CDD)
CDD is an important part of the Group's management of financial crime, reputational and regulatory risk. CDD enables us to understand our clients and their activities so that financial crime risks are identified and mitigated. CDD is performed at the point of onboarding the client and on an ongoing basis. As a general rule, no products or services can be provided to a client until CDD has been completed.

Collateralised debt obligations (CDOs)
Securities issued by a third party which reference asset backed securities and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.

Collectively assessed loan impairment provisions
Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that 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
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, multi-family 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 (CET1) capital
CET1 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 CET1.

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 Prudential Regulation Authority.

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

Corporate plan
Detailed plan produced as an output of the Group's formalised annual budgeting, management reporting and review process. It comprises a five-year forecast of the Group's profitability, capital position, and funding and liquidity requirements. The corporate plan provides information to the Board which is used to ensure the adequacy of resources available for the Group to meet its business objectives, both on a short-term and strategic basis.

Cost-to-income ratio
Represents the proportion of total operating expenses to total operating income.

Countercyclical capital buffer
Regulatory capital of up to 2.5 per cent of risk-weighted assets that is required to be held under Basel III rules to ensure that banks build up surplus capital when macroeconomic conditions indicate excess credit growth.

Counterparty credit risk
The risk that a counterparty defaults before satisfying its obligations under a contract.

Cover ratio
Represents the extent to which non-performing loans are covered by impairment allowances.

Credit conversion factor
Either prescribed by The Prudential Regulation Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms or modelled by the Group, 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
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
Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees.

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

Customer deposits
Money deposited by all individuals and companies that are not credit institutions including securities sold under repurchase agreement (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 transferable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

Deferred tax asset
Income taxes recoverable in future periods in respect of deductible temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods, the carry-forward of tax losses and the carry-forward of unused tax credits.

Deferred tax liability
Income taxes payable in future periods in respect of taxable temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods.

Defined benefit obligation
The present value of expected future payments required to settle the obligations of a defined benefit scheme resulting from employee service.

Defined benefit scheme
Pension or other post-retirement benefit scheme other than a defined contribution scheme.

Defined contribution scheme
Pension or other post-retirement benefit scheme where the employer's obligation is limited to its contributions to the fund.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as arrears.

Deposits by banks
Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under a repurchase agreement (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
The tax on profits on ordinary activities as a percentage of profit on ordinary activities before taxation.

Encumbered assets
On-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities.

Eurozone
Represents the 17 European Union countries that have adopted the euro as their common currency. The 17 countries are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.

Expected loss
The Group's 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, loss given default and exposure at default, with a one-year time horizon.

Exposures
Credit exposures represent the amount lent to a customer, together with any undrawn commitment.

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 the Prudential Regulation Authority's approved rating agencies, known as ECAI; namely Moody's, Standard & Poor's and Fitch.

Financial Conduct Authority (FCA)
The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.

Forbearance
Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial liabilities.

Free deliveries
A transaction in which securities, foreign currencies or commodities have been paid for before receiving them or where securities, foreign currencies or commodities have been delivered before receiving payment for them.

Free funds
Free funds includes equity capital, retained reserves, current year unremitted profits and capital injections net of proposed dividends. It does not include debt capital instruments, unrealised profits or losses or any non-cash items.

Funded/unfunded exposures
Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where there is a commitment to provide future funding but funds have been released/not released.

Global Systemically Important Institutions (G-SII)
In November 2011, The Financial Stability Board established a methodology to identify G-SIIs based on 12 principal indicators. Designation will result in the application of a Common Equity Tier 1 buffer between 1 per cent and 3.5 per cent, to be phased in by 1 January 2019. The list of G-SIIs is re-assessed through annual rescoring of banks and a triennial review of the methodology. National regulators have discretion to introduce higher charges than the minimum. In Capital Requirements Directive IV, this is implemented via the G-SII buffer.

Global Systemically Important Institutions (G-SII) buffer
A capital buffer prescribed in the EU under Capital Requirements Directive IV, to address risks in the financial sector as a whole, or one or more sub-sectors, to be deployed as necessary by each EU member state with a view to mitigate structural macro-prudential risk. In the UK this was transposed in January 2015 and is to be applied to ring-fenced banks and building societies over a certain threshold.

High-quality liquid assets
Assets that are unencumbered, liquid in markets during a time of stress and, ideally, are 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.

Impaired loans
Loans where individual identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans which, while impaired, are still performing.

Impairment allowances
Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Individually assessed loan impairment provisions
Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group. Typically, assets within the Corporate & Institutional Clients segment of the Group are assessed individually.

Innovative Tier 1 capital
Innovative tier 1 capital consists of instruments which incorporate certain features, the effect of which is to weaken (but only marginally) the key characteristics of Tier 1 capital (that is, fully subordinated, perpetual and non-cumulative). Innovative Tier 1 capital is subject to a limit of 15 per cent of total Tier 1 capital.

Interest rate risk
Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements.

Internal ratings-based (IRB) approach
The IRB approach is used to calculate risk-weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.

Internal Model Approach (IMA)
The approach used to calculate market risk capital and risk-weighted assets with an internal market risk model approved by the PRA under the terms of Capital Requirements Directive IV/Capital Requirements Regulation. Formerly referred to as Capital Adequacy Directive 2.

Investment grade
A debt security, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.

Leverage ratio
A ratio introduced under Capital Requirements Directive 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.

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: earnings before interest tax, depreciation and amortisation (EBITDA)) typically arising from private equity sponsor-led acquisitions of the businesses concerned.

Liquid asset buffer
These assets include high-quality government or central bank securities, certain deposits with central banks and securities issued by designated multilateral development banks to meet the Prudential Regulation Authority's requirement for liquidity.

Liquid asset ratio
Ratio of total liquid assets to total assets. Liquid assets comprise cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.

Liquidation portfolio
A portfolio of assets which is beyond our current risk tolerance metrics and is held for liquidation.

Liquidity and credit enhancements
Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing commercial paper.

Liquidity coverage ratio (LCR)
A short-term liquidity measure that considers a 30-day period of liquidity stress.

Loans and advances
This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a home loan.

Loans to banks
Amounts loaned to credit institutions including securities bought under reverse repurchase.

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 that expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loans past due
Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.

Loss given default (LGD)
LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

Malus
An arrangement that permits the Group to prevent vesting of all, or part of the amount of a deferred remuneration award in relation to risk outcomes or performance.

Master netting agreement
An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.

Mezzanine capital
Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.

Minimum requirement for own funds and eligible liabilities (MREL)
A requirement under the Bank Recovery and Resolution Directive for EU resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks. Similar to Total Loss Absorbing Capacity, MREL is intended to ensure there is sufficient equity and specific types of liabilities within the Group that can absorb losses and recapitalise the Group, facilitating an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions and avoids exposing taxpayers to loss.

Net asset value per share
Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.

Net exposure
The aggregate of loans and advances to customers/loans and advances to banks after impairment provisions, restricted balances with central banks, derivatives (net of master netting agreements), investment debt and equity securities, and letters of credit and guarantees.

Net interest income
The difference between interest received on assets and interest paid on liabilities.

Net interest margin
The margin is expressed as net interest income divided by average interest earning assets.

Net stable funding ratio (NSFR)
The ratio of available stable funding to required stable funding over a one-year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one-year time horizon.

Non-performing loans (NPLs)
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
- 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.

Pillar 1
The first Pillar of the three pillars of Basel II/Basel III which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk.

Pillar 2
Pillar 2 requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3
Pillar 3 aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

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.

Prudential valuation adjustment
A deduction from Common Equity Tier 1 capital, to reflect the difference between fair value and prudent value positions, where the application of prudent results in a lower absolute carrying value than recognised in the financial statements.

Prudential Regulation Authority (PRA)
The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a subsidiary of the Bank of England.

Renegotiated loans
Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. Such assets will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying

amount of the asset and are defined as 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 agreement which allows a borrower to sell a financial asset, such as asset backed securities or government bonds as collateral for cash. As part of the agreement, the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Residential mortgage
A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.

Residential mortgage backed securities (RMBS)
Securities that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Return on equity
Represents the ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders equity for the reporting period.

Risk-weighted assets (RWA)
A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the Financial Services Authority.

Risk capital adjusted profit
A risk-adjusted, profit-based funding mechanism. This is applied as a combination of automatic adjustments and other adjustments determined by the Remuneration Committee for specific risk and control matters that are not already taken into account through automatic adjustments.

Risks-not-in-VaR (RNIV)
A framework for identifying and quantifying marginal types of market risk that are not captured in the value at risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.

Secured (fully and partially)
A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.

Securitisation
Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to a structured entity who then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.

Senior debt
Senior debt, frequently issued in the form of senior notes, is debt that takes priority over other unsecured or otherwise more 'junior' debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure after subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.

Significant investment holdings
Significant investment holdings are holdings in undertakings other than subsidiaries, joint ventures or associates, where the shareholding is greater than, or equal to, 20 per cent of the nominal value of any class of shares, or a book value greater than 20 per cent of the Group's assets.

Sovereign exposures
Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned. Sovereign exposures, as defined by the European Banking Authority, includes only exposures to central governments.

Standardised approach
In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions 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 weaker credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.

Tier 1 capital
Tier 1 capital comprises Core Tier 1 capital plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted assets.

Tier 2 capital
Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.

Total Loss Absorbing Capacity (TLAC)
A standard set by the Financial Stability Board to ensure global systemically important institutions have a sufficient amount of specific types of liabilities, which can be used to absorb losses and recapitalise a bank in resolution. These proposals are intended to facilitate an orderly resolution that minimises any impact on financial stability, ensures the continuity of critical functions, and avoids exposing taxpayers to loss.

UK bank levy
A levy that applies to certain UK banks and the UK operations of foreign banks from 1 January 2011. The levy is payable each year based on a percentage of the chargeable liabilities of the Group as at 31 December.

Value at risk (VaR)
Value at risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.

Write-downs
After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-downs will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

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