

Standard Chartered PLC – Highlights

For the year ended 31 December 2014

Reported results

- Operating income¹ of \$18,234 million is down 2 per cent from 2013
- Profit before tax² of \$5,193 million is down 25 per cent from 2013
- Customer advances down 3 per cent to \$289 billion, customer deposits up 6 per cent to \$414 billion

Performance metrics⁴

- Dividend per share at 86.00 cents per share, the same level as 2013
- Normalised earnings per share declined 28 per cent to 145.9 cents from 204.0 cents in 2013
- Normalised return on ordinary shareholders' equity of 7.8 per cent (2013: 11.2 per cent)

Capital and liquidity metrics

- Common Equity Tier 1 (CET 1) of 10.7 per cent on an end point basis under CRD IV rules⁵, 10.5 per cent on a transitional basis
- Advances-to-deposits ratio of 69.7 per cent (2013: 75.7 per cent)
- Liquid asset ratio of 32.2 per cent (2013: 29.8 per cent)

Key messages

- 2014 performance impacted by the challenging market environment, de-risking and disposal actions
- Loan impairment increased 32 per cent primarily in Corporate and Institutional and Commercial Clients
- Reallocated \$8.5 billion risk weighted assets from low returning relationships and announced 15 business disposals
- Strong balance sheet with healthy liquidity, leverage, and capital ratios

Programme of actions

- Significant leadership changes
- CET1 target of 11-12 per cent in 2015 and thereafter
- Return on Equity target greater than 10 per cent in the medium term
- \$1.8 billion of cost savings over the next 3 years
- \$25 - \$30 billion in Risk Weighted Assets savings over the next 2 years
- Sustain momentum on raising the bar on conduct

Commenting on these results, the Chairman of Standard Chartered PLC, Sir John Peace, said:

"2014 was a challenging year and our performance was disappointing, but it was also a year when we took decisive action to refocus our strategy and to reposition the Group for the future and to restore shareholder value."

Commenting on these results, the Chief Executive Officer of Standard Chartered PLC, Peter Sands, said:

"We are reshaping the Bank to respond to the way our world has changed and to ensure we fulfil our aspiration to bank the people and companies driving trade, investment and the creation of wealth across Asia, Africa and the Middle East. I leave Standard Chartered proud of what we have achieved and confident about what the future holds for this extraordinary institution"

¹ Excluding own credit adjustment

² Excludes, own credit adjustment, goodwill impairment and the civil monetary penalty incurred in 2014

³ Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 10 on page 79)

⁴ Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items set out on note 11 on page 79

⁵ See additional information on Capital pages 57-63

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Standard Chartered PLC – Summary of results

For the year ended 31 December 2014

	2014 \$million	2013 \$million
Results		
Operating income ¹	18,234	18,671
Impairment losses on loans and advances and other credit risk provisions	(2,141)	(1,617)
Goodwill impairment	(758)	(1,000)
Other impairment	(403)	(129)
Profit before taxation, goodwill impairment, own credit adjustment and civil monetary penalty	5,193	6,958
Profit before taxation	4,235	6,064
Profit attributable to parent company shareholders	2,613	4,090
Profit attributable to ordinary shareholders ²	2,512	3,989
Balance sheet		
Total assets	725,914	674,380
Total equity	46,738	46,841
Loans and advances to customers	288,599	296,015
Customer deposits	414,189	390,971
Total capital base (CRD IV) transitional	57,099	56,369
Information per ordinary share	Cents	Cents
Earnings per share – normalised ³	145.9	204.0
– basic	102.2	164.4
Dividend per share ⁴	86.00	86.00
Net asset value per share	1,833.6	1,872.8
Tangible net asset value per share	1,610.9	1,597.5
Ratios		
Return on ordinary shareholders' equity – normalised basis ³	7.8%	11.2%
Advances to deposits ratio	69.7%	75.7%
Liquid assets ratio	32.2%	29.8%
Cost to income ratio – normalised basis ³	58.9%	54.4%
Return on risk weighted assets ⁵	1.6%	2.2%
Capital ratios ⁶		
Common Equity Tier 1 (CRD M) transitional	10.5%	10.9%
Common Equity Tier 1 (CRD M) end point basis	10.7%	11.2%
Total capital (CRD IV) transitional	16.7%	17.0%
Leverage ratio ⁷	4.5%	4.7%

¹ Excludes own credit adjustment of \$100 million (2013: \$106 million)

² Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 10 on page 79)

³ Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 11 on page 79

⁴ Represents the recommended final dividend per share for the respective years together with the interim dividend per share declared and paid in those years. Further details are set out in note 10 on page 78

⁵ Return on risk weighted assets is operating profit (excluding civil monetary penalty, goodwill impairment and own credit) divided by average risk weighted assets. 2013 risk-weighted assets are on a Basel II basis and 2014 on a CRD IV basis

⁶ See additional information on Capital on pages 57-63

⁷ The Leverage end point ratio at 31 December 2013 is not directly comparable; its calculation was on a different basis, following prevailing PRA guidance for the year

Resolved to restore shareholder value

2014 was a challenging year, and our performance was disappointing, but it was also a year when we took decisive action to refocus our strategy and to reposition the Group for the future.

- Profit before taxation, goodwill, own credit and the civil monetary penalty was down 25 per cent to \$5.2 billion
- Statutory profit before taxation was down 30 per cent at \$4.2 billion
- Income excluding own credit fell 2 per cent to \$18.2 billion
- Normalised earnings per share declined 28 per cent to 145.9 cents

The Board continues to believe that there are significant opportunities for the Group in the medium to long term across our footprint, and that is why we have been careful not to take any knee-jerk actions which may damage the long-term prospects of the business.

However, at the same time, we need to be mindful that there are significant factors impacting our current performance which cannot be ignored: the imperative to build capital levels across the industry; the need for ongoing investment in enhancing our systems and processes associated with conduct and compliance; and the need to change the shape of our business to fit the demands of the current economic and regulatory landscape.

As a consequence of this, the Board has recently endorsed a number of priority areas. The first of these was to provide clarity on our governance, leadership and succession plans, and we are going further by highlighting a number of other priorities: taking steps to build on our capital levels, enhancing our return on equity and continuing to improve our conduct and compliance capabilities.

The Board is determined to reshape the business to restore the Group's performance and to fully realise the opportunities in our markets. At the same time, we are determined to continue to raise the bar on conduct and compliance to ensure that Here for good, our brand promise, is firmly embedded in the DNA of the Group worldwide.

Whilst we are comfortable with our current capital position, the Board does want to improve our

capital trajectory, so we are taking actions around risk-weighted assets, cost reductions and business disposals, all of which are aimed at strengthening both our Common Equity Tier 1 ratio and our trajectory going forward.

We believe that we have identified strong levers to manage capital accretion over time and therefore the Board is recommending a final dividend for 2014 of 57.20 cents resulting in a total annual dividend of 86.00 cents which is the same level of dividend per share as 2013.

For several years, we have significantly increased the amount paid out to shareholders by way of dividend, while at the same time consecutively reducing the amount paid out in bonuses, despite increasing staff numbers over this period. In 2014, we are again proposing to pay out more to our shareholders by way of dividends than we pay out in bonuses.

This disciplined approach to managing variable compensation has created significant competitive pressures in some of our key markets. We are, of course, mindful of the external sentiment in some markets on bankers' pay, and conscious of our disappointing performance in 2014, but it is essential that we remain able pay competitively in the markets where we operate and where wage inflation, on average, is around 5 per cent.

Our people are much sought after by our competition, and we are acutely conscious of the importance of retaining and attracting the best talent as we look to execute on our strategy. It also goes without saying that, consistent with past practice, we will only reward our people for good performance as well as for their good behaviours.

Taking all these factors into account and reflecting our performance in 2014, the bonus pool is down on 2013 by 9 per cent, and 27 per cent lower than in 2011. In light of the disappointing performance of the Group, those executive directors on the PLC Board throughout the year came to the conclusion that they should show leadership by not taking any variable compensation for 2014.

I would like to take this opportunity to thank Peter on behalf of the Board for the immense contribution he has made to the success of the Group over the past 13 years, both as Group Chief Executive and

as Group Finance Director. Since becoming Group Chief Executive in 2006, the Group has more than doubled in size and has been consistently profitable. His leadership and insight, over a period of huge change and challenge for the entire industry, ensures that he leaves the Group well placed to achieve its full potential as one of the world's leading financial institutions.

I would also like to thank Jaspal for his very considerable contributions to the business over the past 16 years, and the other long-serving Board members who are stepping down this year and who have done so much to help position this great bank for the future.

We are extremely fortunate to have Bill Winters, one of the most accomplished and respected bankers

in the world today, taking over as Group Chief Executive from Peter in June to drive the Group's next chapter of growth. Bill brings substantial financial experience from leading a very successful global business, and has an exceptional understanding of the global regulatory and conduct environment. He is also a proven leader with a strong track record in nurturing and developing talent. I am thrilled that Bill is joining the Group at this strategically important time and we wish him well in his new role.

We are therefore confident that we are taking the right actions to restore shareholder value.

I would like to thank our clients, customers and shareholders for their support during 2014 and, above all, our great people for their hard work and ongoing commitment to Standard Chartered.

Sir John Peace
Chairman
4 March 2015

Taking action to deliver sustainable, profitable growth and improved returns

2014 was a tough year, our performance was disappointing and we are acutely aware of the impact of this for you, our shareholders. We faced a perfect storm: negative sentiment towards emerging markets, a sharp drop in commodity prices, persistent low interest rates and surplus liquidity, low volatility, and a welter of regulatory challenges.

As a result, we saw intense pressure on margins and volumes, a significant uptick in impairment and a sharp increase in regulatory related cost. Of course, it was not all about external factors. Some of the decisions we took in the past look less good now than they did at the time, such as Korea which in 2014 made a loss before tax of \$145 million. Not everything we did was as well executed as it should have been, for example the upgrade of our transaction surveillance systems back in 2007 – shortcomings here ultimately resulted in the civil penalty of \$300 million that we paid in August 2014.

We have taken a range of actions in response to the way our world has changed. We have overhauled our strategy, making it sharper and more focused. We have reconfigured the organisation to align it better with our strategic priorities. We have attacked our cost base. We have redeployed capital. We have disposed of, or are in the process of disposing of, 15 underperforming and non-strategic businesses. We have de-risked portfolios and segments, such as unsecured lending or correspondent banking, and we have stepped up the pace of our programme to raise the bar on conduct. While some of these changes actually made our 2014 performance worse, since we sacrificed income or increased investment, I am confident that the way we are reshaping the Group will get us back to a trajectory of profitable, sustainable growth, delivering returns above our cost of capital and driving the share price.

I should make clear that we are not counting on the world to do us favours. While we do expect a gradual return to a more normal interest rate environment, and this year we have already seen more volatility in currency markets, we are not counting on headwinds turning to tailwinds to boost our performance. We are focused on the

levers we control, the things we can do, to improve returns and return to growth.

Our performance priorities are clear. First, we must dispel the concerns about capital, hence the clear target of achieving a Common Equity Tier 1 (CET1) ratio of 11 to 12 per cent for 2015 and thereafter. Second, we must improve returns, hence we are setting a target return on equity of over 10 per cent in the medium term, so that we are delivering sustainably above our cost of capital. This will take a bit of time to achieve, not least because the actions we are taking to strengthen the CET1 ratio make this more difficult. Each of these elements fits into an overall agenda of action, all of which is captured in the scorecards of the individual client and product groups, functions and geographies across the Group.

Capital

On capital, we start from a strong position. In terms of our CET1 ratio, at 10.7 per cent on an end-point basis, we have a 200 basis points (bps) buffer relative to known regulatory requirements. We weathered the Bank of England stress tests comfortably. We are strongly placed from a leverage and Total Loss Absorbency Capacity perspective.

However, we understand market concerns about forward trajectory given the uncertainties about how regulatory requirements will evolve. Although it is impossible to be definitive, a combination of ‘risk-weighted assets (RWA) inflation’ and escalating expectations do point to a continuing upward drift in requirements. That is why we have put such focus on capital accretion, so that we can absorb regulatory changes and fund growth, while also improving the CET1 ratio. We accreted some 50 basis points in 2014, 20 basis points in the first half and 30 in the second half. To achieve this, we cut some \$9 billion of low-returning RWA, largely from Corporate & Institutional Clients, and saved another \$2 billion from disposals.

We now plan to pull these levers even harder. Over the next two years, we plan to cut a further \$25 to \$30 billion of RWA from low-returning client relationships and underperforming businesses. We are making good progress on this already. By taking these actions we are confident that we can achieve our target CET1 ratio of 11 to 12 per cent in 2015 and thereafter.

Costs

In 2014, we kept a tight grip on costs. Headline expenses went up 5 per cent, but over half of this increase was due to the UK bank levy and restructuring costs attached to the very cost actions we are taking. Underlying expenses went up less than 3 per cent, driven largely by increased spend on regulatory and conduct priorities. In November, we announced a \$400 million target for cost savings in 2015. We are more than on track to achieve this target, and the \$400 million number relates to our underlying business, so it excludes cost saved from business exits and disposals. Combined with the impact of such actions, we are on track for savings to headline costs exceeding \$600 million in 2015.

The progress we have made in attacking the cost base underpins our confidence in achieving \$1.8 billion in cost savings over the period from 2015 to 2017. Some of the remaining savings will come from the full-year impact of actions we have already taken, for example our decision to exit equities, which will give us a \$100 million of savings in 2016. Some will be the result of further peripheral-business exits or withdrawals that we are currently pursuing, but most will be from achieving sustainable efficiency improvements in our big markets and core business activities.

We are stepping up the pace of digitisation, automating and reengineering key processes and standardising technology platforms. For example, the only way we will get the cost-income ratio in the Retail Clients segment down to our target of 55 per cent is through accelerated digitisation of products, channels and internal processes. And the only way we can manage the ever-increasing complexity of regulation efficiently is through technology, so we are not cutting back on technology investment, but actually increasing this in order to achieve sustainable improvements in productivity.

Asset quality

It should be no surprise that impairment increased in 2014. GDP growth in key markets has been slower, commodity prices fell sharply, and we faced some specific challenges in particular markets, such as the Personal Debt Rehabilitation Scheme (PDRS) in Korea or fraud in China. Of course, we could have fared better. With hindsight there were clients and situations we should have avoided, but

we were never going to be entirely immune to the shift in the credit environment. The actions we have taken to de-risk are having an impact – in India, in China, in our commodities book, and in our unsecured portfolio in the Retail Clients segment. There are still many uncertainties in our markets, but I am very comfortable with our provisioning and with the shape and quality of the book.

In the Retail Clients segment, whilst impairment remains at an elevated level, the indicators suggest some improvement, most notably in Korea. Looking at the early data for this year, PDRS filings are now less than half of what they were six months ago. In the Corporate & Institutional Clients and Commercial Clients segments, the signals are more mixed, but most of what we are dealing with now, and provisioning for, are accounts that have been troubling for some time. The inflow of new problem accounts into early alerts, Credit Grade 12 or Non-Performing Loans has slowed. Whilst it would certainly be premature to call the peak, we do not see signs of further deterioration.

The annualised income impact of the exits and disposals in 2014 and those planned for 2015 is some \$450 million, although this depends on the timing of the completion of certain transactions. We will strip this out of our reporting of underlying performance for 2015. On top of this, de-risking and RWA savings in 2014, and the \$25-30 billion of incremental RWA savings we plan for 2015 and 2016 will create a further drag on income, offset by our ability to redeploy into more attractively returning assets.

Income growth

In the Retail Clients segment, the priority has been to get cost down, shift the focus to more affluent clients and accelerate digitisation, as well as to de-risk from a conduct and credit perspective. It is all about getting the platform in more robust shape to support sustainable growth. Retail Clients income was up 2 per cent year-on-year in 2014, but up 5 per cent in the second half of 2014 compared to the first half, driven by Wealth Management and the shift towards more affluent Priority and Business clients. These will continue to be the key drivers of income growth. Indeed, we aim to increase the percentage of income from Priority and Business clients to 43 per cent in 2015 from 38 per cent in 2014.

In the Private Banking Clients segment, income growth was 4 per cent on a headline basis, or 6 per cent excluding disposals. We see Private Banking Clients as a steady and sustainable source of growth, although at this stage it is obviously very small in the overall scheme of the Group. In 2015, we are looking at on-boarding some 2,000 new clients, achieving double-digit assets under management growth.

The Commercial Clients segment is also quite small, but represents another huge opportunity, and after a year of restructuring and remediation, with income down 22 per cent, our priority for 2015 is to get back to a growth trajectory, strengthening the front line, leveraging the network and growing the client base. We are aiming for more than 3,000 new-to-bank clients in 2015.

Given that the Corporate & Institutional Clients segment contributes around 60 per cent of the Group’s income, this is the crux of the issue. Income fell 2 per cent in 2014, impacted by a combination of de-risking and RWA actions, as well as pressure on margins and the impact of low commodity prices and low volatility. This overall picture disguises some areas of strong growth. Institutional investors, for example, saw 18 per cent income growth at attractive returns in 2014. This is a big opportunity. As for Corporates, right now it is all about improving return rather than income growth per se, and achieving this is all about leveraging the network and deepening relationships to drive non-funded income, hence our focus on increasing the number of markets and products per client. We are looking to take the product-client ratio from 6.3 in 2014 to over 6.5 and the market-client ratio from 2.8 in 2014 to over 3. We are also focusing on non-financing income, targeting to increase the current proportion of 41 per cent to more than 43 per cent. These metrics are the key to driving good income growth that lifts our return on RWA in this segment.

Step back from the segments and look at our markets and the scale of the income opportunity is evident. Despite all the turbulence and shifts in sentiment, the underlying drivers of economic growth – demographics, urbanisation and investment in infrastructure – remain immensely strong, and demand for financial services is rising rapidly. Our challenge is to capture these opportunities in a disciplined, return-focused way to drive shareholder value.

Conduct

We have launched a comprehensive programme called Raising the Bar on Conduct, which encompasses every aspect of conduct, and touches every person in the Group. We recognise that we cannot claim to be Here for good unless we make every effort to ensure that good conduct informs every interaction and is embedded in every decision we make – from strategy to client on-boarding, product design and remuneration. Among the more critical elements of this programme, I would highlight:

- Our Financial Crime Risk Mitigation Programme, which encompasses over 50 separate projects and initiatives to remediate and reinforce our controls and capabilities in this vital arena. This is a massive multi-year investment programme. Playing a stronger role in the fight against financial crime is a strategic imperative for Standard Chartered
- To complement stronger controls, we are de-risking our client portfolios. For example, we have exited a significant number of our correspondent banking relationships, mainly in Latin America and Central Europe. We have also exited around 70,000 small and medium-sized enterprise relationships over the past 18 months, and we are putting strict limits on the types of new client that we are prepared to take on in certain geographies and sectors.
- To reinforce our governance, we have established a Board-level Financial Crime Risk Committee, with a combination of experienced independent non-executive directors and expert advisors.

Conclusion

The actions we have taken, and are taking, on capital, cost, risk and conduct are all part of a package. We are reshaping the Group to respond to the way our world has changed. We are reshaping the Group to ensure we can fulfil our aspiration to bank the people and companies driving trade, investment and the creation of wealth across Asia, Africa and the Middle East. And we are reshaping the Group to get back to sustainable, profitable growth, delivering returns above our cost of capital.

This will be my last Group Chief Executive’s review, and it is obviously one of the more challenging sets of numbers I have had to explain. In my 13 years at the Group, I have seen lots of ups and downs. Standard Chartered today is very different from the bank I first joined as Finance Director in 2002. That year we made about a \$1 billion in profits, and in 2006, the year I became Group Chief Executive, we made about \$3 billion. Since then, of course, we have navigated the global financial crisis, roughly doubled in size, and confronted all sorts of new challenges. The world of banking has changed far more dramatically than most people realise, and it is only part way through a fundamental transformation.

I will leave Standard Chartered proud of what we have achieved and confident about what the future holds for this extraordinary institution. In Bill Winters, I have a successor just right for the task. I am delighted to be passing the baton on to a banker of such calibre, to a leader of such strengths. Bill will inherit a bank with a superb client franchise, a unique network and an exceptionally strong balance sheet. Perhaps even more importantly, he will inherit a fantastic team of people – professional and collaborative, and truly believing in, and committed to being, Here for good.

I would like to take this opportunity to say thank you to our clients, and to all the people of Standard Chartered. The past couple of years have been pretty tough, but we have demonstrated resilience and an ability to adapt and reinvent. I know that Standard Chartered will once again show the world what a great bank this is.

Peter Sands
Group Chief Executive
4 March 2015

Performance summary

	2014 \$million	2013 \$million	Better / (worse) %
Client income ¹	16,623	16,872	(1)
Other income	1,611	1,799	(10)
Operating income¹	18,234	18,671	(2)
Other operating expenses	(10,198)	(9,946)	(3)
Restructuring costs	(181)	(12)	nm
UK bank levy	(366)	(235)	(56)
Total operating expenses	(10,745)	(10,193)	(5)
Operating profit before impairment losses and taxation¹	7,489	8,478	(12)
Impairment losses on loans and advances and other credit risk provisions	(2,141)	(1,617)	(32)
Other impairment	(403)	(129)	(212)
Profit from associates and joint ventures	248	226	10
Profit before taxation (excluding goodwill impairment, civil monetary penalty and own credit adjustment)	5,193	6,958	(25)
Own credit adjustment	100	106	(6)
Civil monetary penalty	(300)	-	-
Goodwill impairment	(758)	(1,000)	24
Profit before taxation	4,235	6,064	(30)
Normalised earnings per share (cents)	145.9	204.0	(28)
Dividend per share (cents)	86.00	86.00	-
Common Equity Tier 1 on a transitional basis	10.5%	10.9%	

¹ Excludes \$100 million (2013: \$106 million) benefit relating to own credit adjustment

Group performance

2014 performance was disappointing, impacted by a challenging market environment and by the significant programme of restructuring and repositioning actions taken during the year. Reported profit before tax was down 30 per cent to \$4,235 million compared to 2013.

The Group’s results have also been affected by the following items which are less reflective of the underlying performance of the franchise:

We have incurred restructuring costs of \$181 million in the year. Approximately a quarter relates to redundancy programs in Korea with the balance reflecting the realignment of the client segments and product groups under the new organisation structure, including a number of business exits.

The UK bank levy has risen a significant 56 per cent to \$366 million.

In August the Group reached a settlement with the US authorities of \$300 million. See note 23 on page 93 for further details.

And more recently, the Group carried out a detailed review of the outlook for its Korean business. Whilst we are encouraged by the Personal Debt Rehabilitation Scheme (PDRS) trends - and hence the opportunity to improve upon the business’

recent disappointing financial performance - it is nonetheless currently loss making and hence we are writing off the remaining goodwill of \$726 million – on top of the \$1 billion write-down last year. We have also impaired a further \$32 million of goodwill relating to the closure of the Group’s cash equities business. These write-offs have no cash flow impact and do not affect Group capital ratios, as goodwill is already fully deducted for prudential purposes.

The main normalising items are therefore the goodwill impairment, US settlement and the own credit adjustment.

On this basis adjusted profit before tax for the year was \$5.2 billion, down 25 per cent.

Normalised earnings per share were down 28 per cent to 146 cents and normalised Return on Equity was 7.8 per cent.

The balance sheet remains in good shape. Our Basel III transitional Common Equity Tier 1 ratio of 10.5 per cent is flat in the second half despite absorbing 30 basis points of headwinds including model changes and the further foreseeable dividend as well as having taken greater provisions on our commodities exposure.

Client segments income

Income and profit by client segment

	2014					
	Corporate & Institutional ¹ \$million	Commercial \$million	Private Banking \$million	Retail \$million	Corporate items ² \$million	Total \$million
Operating income ¹	10,431	1,182	612	6,009	-	18,234
Profit before taxation ¹	4,140	218	149	1,052	(366)	5,193

¹ Excludes \$100 million relating to an own credit adjustment (OCA)

² Includes \$366 million related to the UK bank levy

	2013					
	Corporate & Institutional ¹ \$million	Commercial \$million	Private Banking \$million	Retail \$million	Corporate items \$million	Total \$million
Operating income ¹	10,656	1,511	586	5,918	-	18,671
Profit before taxation ¹	5,257	647	173	1,116	(235)	6,958

¹ Excludes \$106 million relating to own credit adjustment (OCA)

² Includes \$235 million related to the UK bank levy

Notwithstanding decisions to de-risk the Group’s portfolio in areas such as Retail unsecured, and commodity financing, we restricted the reduction in the top line to 2 per cent. The biggest reduction in our year on year income performance was in the Commercial Clients segment, where income fell by \$329 million. This was driven by current year Private Equity valuation reductions relative to realised gains in the previous year, weaker demand for Renminbi products in Financial Markets, as well as exiting a significant number of relationships whose risk and return equation no longer met our requirements.

Income from Corporate and Institutional clients was down 2 per cent, or \$225 million. Continued weakness in Financial Markets and management actions taken to optimise returns on the balance sheet, offset gains on the exit of a number of Private Equity investments. The business has shown early progress on the metrics set out in November 2014 with an improvement in the client-market ratio from 2.6 to 2.8 and the client-product ratio increasing from 5.9 to 6.3. Risk weighted assets increased by 10 per cent, primarily due to the impact of Basel III and policy methodology and

model changes. Excluding this impact, risk weighted assets were flat.

Income from Private Banking Clients was up 4 per cent driven by a strong performance in Greater China. We have exited a number of subscale businesses during the year and excluding the impact of these discontinued operations, income from Private Banking Clients was up 6 per cent, driven by net new money inflows of \$6 billion. The business has also increased the number of relationship managers during the year and added 1,300 new clients including early successes from the internal client referral program.

Retail Clients income of just over \$6 billion was up 2 per cent compared to 2013. Strong growth in income from the Priority segment, up 16 per cent, offset a decline in Personal and Preferred segment income, which was down 5 per cent. This is consistent with our strategy to focus on more affluent segments and de-risk our unsecured portfolios, particularly in Korea. We continue to reshape our business in Korea and during the year have exited 60 branches and almost 300 staff. Excluding Korea, Retail Clients income was up 4 per cent.

Product Income

	2014 \$million	2013 \$million	Better / (worse) %
Transaction Banking	3,802	3,911	(3)
Financial Markets ¹	3,400	3,856	(12)
Corporate Finance	2,487	2,519	(1)
Lending and Portfolio Management	1,026	1,065	(4)
Wealth Management	1,701	1,449	17
Retail Products	4,840	5,046	(4)
Asset and Liability Management	653	548	19
Principal Finance	325	277	17
Total Operating Income¹	18,234	18,671	(2)

¹ Excludes \$100 million (2013: \$106 million) relating to own credit adjustment

Transaction Banking income of \$3.8 billion was down 3 per cent year on year. Trade Finance, which accounts for just over half of Transaction Banking income, was down 5 per cent. Margins have remained broadly stable though average assets were down 4 per cent in the second half of 2014, reflecting a slower trade environment and continued assertive management of low returning risk weighted assets.

Cash Management and Custody, which accounts for the remaining Transaction Banking income, was flat year on year. Margins were driven lower by the significant liquidity that persists across our key markets but this was offset by good growth in average balances and record clearing levels as we continue to win multi-country transaction banking mandates.

Income from Financial Markets was down \$456 million year on year. In Foreign Exchange, strong volume growth in Cash FX, up 47 per cent and FX Options, up 89 per cent, has been offset by ongoing spread compression. In Rates, low volatility and low interest rates continues to impact both volumes and spreads.

Corporate Finance income was down 1 per cent year on year as high levels of liquidity resulted in increased repayment levels.

Lending and Portfolio Management income fell 4 per cent reflecting lower average balances as we exited lower returning relationships.

Wealth Management income was up 17 per cent and is benefitting, in particular, from the Prudential bancassurance partnership as well as an accelerating shift towards servicing High Net Worth individuals in the Retail clients segment.

Income from Retail Products was down 4 per cent or \$206 million year on year impacted predominantly by the continued de-risking of the unsecured portfolio. Within this, income from Cards, Personal Loans and unsecured lending was down 8 per cent, or \$212 million year on year following a 14 per cent reduction in balances to \$20.5 billion. Income from mortgages was down \$59 million or 6 per cent as property market cooling measures muted volume growth in a number of markets.

Asset and Liability Management income was up 19 per cent to \$653 million and benefitted from more efficient deployment of surplus Renminbi customer deposits, the majority of which was recorded in the first half of 2014. Income of \$233 million is more reflective of the underlying performance during the second half of 2014.

Finally, Principal Finance income was up 17 per cent year on year. The gains on the exit of a number of Private Equity investments at positive multiples more than offset lower revaluations.

Expenses

	2014 \$million	2013 \$million	(Better) / worse \$million	(Better) / worse %
Staff costs (includes variable compensation)	6,653	6,558	95	1
Premises costs	910	877	33	4
General administrative expenses	1,996	1,797	199	11
Depreciation and amortisation	639	714	(75)	(11)
Other operating expenses¹	10,198	9,946	252	3
Staff numbers (Average)	88,935	88,257		
Normalised Cost to income ratio	58.9%	54.4%		

¹ Excluding restructuring costs, UK bank levy and the civil monetary penalty

Other operating expenses of \$10.2 billion increased by less than 3 per cent. Within this, depreciation and amortisation benefited by \$121 million compared to 2013 due to a change in the period over which certain technology assets are depreciated.

During the year we have faced further regulatory cost increases of \$237 million, without which costs would have been flat.

To offset these cost increases as well as inflation of nearly \$400 million, the Group has delivered cost

efficiencies in 2014 of some \$200 million which are now doubling to over \$400 million as our target for 2015. We are working on a pipeline of further sustainable productivity improvements in 2016 and 2017.

Taken as a whole, these represent a significant programme of initiatives that will deliver sustainable cost savings of some \$1.8 billion over the next three years.

Impairment

	2014 \$million	2013 \$million	(Better) / worse \$million	(Better) / worse %
Corporate and Institutional Clients	991	488	503	103
Commercial Clients	212	157	55	35
Private Clients	-	8	(8)	(100)
Retail Clients	938	964	(26)	(3)
Impairment losses on loans and advances and other credit risk provisions	2,141	1,617	524	32
Other impairment¹	403	129	274	212
Gross non-performing loans as a % of closing advances	2%	2%		
Loan impairment / average loan book (bps)	72	56		
Collateral held against impaired loans	\$1,472m	\$1,259m		
Cover ratio	52%	54%		
Mortgage portfolio loan to value (LTV)	49%	50%		
Retail secured/unsecured ratio	81%	79%		
C&I and Commercial maturity - within 1 year	65%	64%		

¹ Excluding goodwill impairment

Loan impairment was up \$524 million, or 32 per cent, to \$2.1 billion.

Over 40 per cent of this arises in the Retail Clients segment which was 3 per cent lower benefitting from improved PDRS in Korea.

The remaining \$1.2 billion of loan impairment arises in the Corporate and Institutional and Commercial Clients segments where further weakness in commodity markets has impacted a small number of exposures that were already on

our watch list and that we have been closely monitoring for some time.

Other impairment, excluding goodwill, was \$403 million. The main increase in the year included the impairment on the China warehouse fraud and impairment of certain strategic and associate investments.

Commodities

Our total commodities exposure is \$55 billion, or 10 per cent of the Group’s total net exposure. The vast majority of our commodities exposure is trade related, evidenced by the short tenor of the book, with 74 per cent being less than one year. This allows us to act quickly to changes in the external environment. Our commodities portfolio is down \$6 billion in the second half of 2014 alone as we actively managed the portfolio.

When thinking about vulnerability to a sustained bear market, there are some important factors to consider:

- 60 per cent of our exposure is to global majors or large state owned enterprises or investment grade, which we expect to prove highly resilient, even through a sustained downturn;
- A further, 32 per cent is either short term or Trade Finance related and less than one year in tenor - again highly resilient;
- 4 per cent is to fund structured Project or Corporate Finance with a very high degree of collateral;
- This leaves 4 per cent of the portfolio, potentially more vulnerable to prolonged weakness in commodity prices.

We have conducted an in-depth review of our Traders portfolio and as a result, we have exited 150 relationships since early 2013, have reduced exposures since 30 June 2014 by \$2 billion or 6 per cent and have focused on commodity traders with sound internal risk management capabilities and good access to other liquidity sources.

Two years ago we identified which clients in our Producers portfolio might be potentially vulnerable to a sharp correction in commodity prices. We have managed these names since, reducing exposure, taking additional collateral, and exiting relationships where necessary. Whilst we have seen non-performing loan (NPL) formation reflecting the extremely low level of some commodity prices, refreshed stress tests have identified no new names to add to this list.

Oil represents around half of our commodities exposure. 98 per cent of our oil producer exposure is either to state owned enterprises or to low cost of extraction companies who have a breakeven price below the current market price. When reviewing these we have conservatively allowed no slowdown in these companies’ capital expenditure, no refinancing and no depletion of cash balances for a period of one year. We do not have

exposures to higher cost of extraction parts of the industry.

The final point of context for our portfolio is that many of our markets benefit from lower commodity prices. Even oil producing markets like Ghana are net importers of oil and markets like India are receiving a real boost from lower prices.

In conclusion, we have conducted a thorough review of our commodities exposure and the main areas of potential vulnerability lie in a very small proportion of our portfolio, which we have been actively managing.

Portfolio credit quality

A number of observations about the credit quality of the Group overall are set out below:

- The book is becoming increasingly diverse - No industry accounts for more than 16 per cent of Corporate loans and advances to customers and our top 20 exposures have reduced as a percentage of Common Equity Tier 1;
- The book remains predominantly short dated with nearly two thirds of Corporate and Institutional and Commercial clients exposure less than one year;
- We are holding increased levels of collateral, up 4 per cent with high levels of collateralisation for longer term and non-investment grade loans;
- Over 40 per cent of the corporate portfolio is investment grade and this mix is improving;
- While Early Alerts are not always the most accurate predictor of subsequent impairment, it is nonetheless encouraging that recent Early Alerts trends have been stable;
- Delinquency rates in our retail book have started to improve following continued de-risking of the unsecured book and an improving PDRS trend in Korea;
- CG 12 accounts are stable compared to the half year;
- Whilst NPLs are up 10 per cent since the first half of 2014 the increase is related to accounts we have been actively managing for some time;
- And finally, Market risk is predominantly client driven and remains low in absolute terms.

In summary, the current elevated level of loan impairment reflects increases arising from India and China as well as our Commodity exposures in these and some other markets including Indonesia and Africa. We flagged these areas of risk early and have been proactively managing them for some time.

Summary Group Balance Sheet

	2014 \$million	2013 \$million	Increase / (decrease) \$million	Increase / (decrease) %
Total assets	725,914	674,380	51,534	8
Total equity	46,738	46,841	(103)	-
Loans and advances to customers	288,599	296,015	(7,416)	(3)
Deposits by banks	55,323	44,526	10,797	24
Customer deposits	414,189	390,971	23,218	6
Advances to deposits ratio	69.7%	75.7%		
Liquid asset ratio	32.2%	29.8%		

The balance sheet is in good shape, diversified, well structured, and highly liquid with total deposits up 8 per cent year on year, rising \$29 billion or 6 per cent in the second half of 2014. We already more than meet the minimum Basel III requirements for both the Net Stable Funding Ratio and the Liquidity Coverage Ratio.

Loans and advances to customers are down \$16 billion or 5 per cent in the second half, driven by continued de-risking of the retail unsecured portfolio, reducing exposure to the energy, mining and quarrying sectors, more assertive management

of low returning relationships, high levels of liquidity resulting in early repayments, and currency translation. On a constant currency basis loans and advances to customers are flat compared to 2013.

Our Advances to Deposits ratio is now below 70 per cent and our Liquid Asset Ratio is 32.2 per cent.

Total assets rose 8 per cent, compared to 2013 mainly from increased cash and balances with central banks reflecting higher surplus liquidity.

In summary, we finished the year with our balance sheet in good shape.

Capital

Capital ratios and risk-weighted assets	2014	2013
Common Equity Tier 1 (CET 1) transitional	10.5%	10.9%
Common Equity Tier 1 (CET 1) end point	10.7%	11.2%
Total Capital transitional	16.7%	17.0%
Leverage ratio end point	4.5%	4.7%
Total risk weighted assets transitional	341,648	331,296

The Group’s transitional CET1 ratio of 10.5 per cent is flat in the second half of 2014 compared to the first half of the year. This is after absorbing a combined 30 basis point deduction for model, methodology and policy changes, and the foreseeable dividend, as well as other one-off items such as the settlement with US authorities and the impact of the increased UK bank levy. This is a clear demonstration of the Group’s strong underlying organic equity generation of some 50 basis points in the year, above our historic trend of 30 basis points. Our end point CET1 ratio of 10.7 per cent is 200 basis points above our known minimum requirement with capacity to absorb future add-ons such as the countercyclical buffer as it is phased in.

We have maintained a strong level of Total Loss Absorbing Capacity, or TLAC, above 20 per cent and our leverage ratio at 4.5 per cent is significantly ahead of our 2019 requirement. We currently plan to issue AT1 capital in 2015 as we look to manage total capital efficiency and build our AT1 levels over time to amount permitted by applicable regulations.

We are in an environment where we need to manage capital requirements dynamically over time, balancing it with growth whilst delivering returns to shareholders.

Financial Priorities

Our financial priorities are to accrete capital to a CET1 ratio of between 11 and 12 per cent in 2015 and thereafter and to deliver Return on Equity (RoE) of over 10 per cent in the medium term.

These priorities replace the flexed financial framework set out in November 2013. They set out our objective to organically strengthen the capital ratio in the short term and to drive profitable growth that will build sustainable returns over the medium term.

The regulatory environment continues to evolve, typically requiring the industry to hold increasing levels of capital. Against this backdrop, the Group will prioritise actions that organically enhance the CET1 ratio while acknowledging there will be an impact on RoE. Based on our current best view of the regulatory outlook we are very confident in our ability to reach a CET1 ratio of between 11 and 12 per cent in 2015 and thereafter.

Building the Group’s RoE to an attractive level, sustainably over the cost of equity is key to delivering long term value to shareholders and remains our focus.

Summary

2015 will be about accelerating management action and executing the plans we set out in November 2014 for the four client segments.

- We are prioritising organic capital accretion through a series of planned asset disposals and business exits as well as continued management of low retuning relationships, we expect to release \$25-30 billion in risk weighted assets over the next two years.
- To protect returns, we are targeting \$1.8 billion of sustainable cost savings over the next three years.

Combined these represent a significant programme of initiatives that will create a platform from which we can build the returns to an attractive level.

Whilst 2014 was a difficult year, we are determined to restore the Group’s performance levels.

A Halford
Group Finance Director
4 March 2015

Standard Chartered PLC – Segmental Analysis

Corporate and Institutional Clients

Corporate and Institutional (C&I) clients comprises Global Corporates, Local Corporates and Financial Institutions.

Operating profit down 21 per cent impacted by de-risking activities, challenging market conditions and increased impairments:

- Financial Markets income down 11 per cent, impacted by challenging industry-wide conditions, RMB band widening and lower Rates income in North East Asia
- Higher Loan impairments and Other impairments due to commodity financing exposures in Greater China. Other impairment was also driven by write-downs on strategic investments in Europe
- De-risking of certain Local Corporate and correspondent banking clients resulted in a material drag to income but an improved risk profile for the business

Progress against strategic objectives

- Good progress on reshaping our business to address the challenges we face, in particular the derisking of certain client portfolios which resulted in improved risk profile
- Successful reallocation of resources to higher returning businesses, including an \$8.5 billion RWA reduction on target group of clients, delivering revenue and income return on risk weighted assets (RoRWA) uplift
- Continued strong cost management despite the impact of restructuring charges in the fourth quarter. C&I is on-track to deliver its target cost efficiencies in 2015
- Record Investors segment performance with income up 18 per cent from growth in Europe and Greater China
- Deeper and broader client penetration, with average number of products per client up 6 per cent to 6.3 and average number of markets per client up 7 per cent to 2.8. The percentage of clients generating 80 per cent of our income increased to 19.7 per cent, up from 17.7 per cent in 2013

Financial performance

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

	2014	2013	Better/ (worse)
	\$million	\$million	%
Transaction Banking	3,223	3,253	(1)
Financial Markets ¹	3,192	3,594	(11)
Corporate Finance	2,462	2,486	(1)
Lending and Portfolio Management	767	767	-
Asset and Liability Management	429	375	14
Principal Finance	358	181	98
Operating income¹	10,431	10,656	(2)
Operating expenses	(5,191)	(4,954)	(5)
Loan impairment	(991)	(488)	(103)
Other impairment	(307)	(113)	(172)
Profit from associates and joint ventures	198	156	27
Operating profit¹	4,140	5,257	(21)
Client income ¹	9,174	9,312	(1)
Customer loans and advances	157,970	160,906	(2)
Customer deposits	244,731	211,051	16
Risk weighted assets	244,595	221,660	10
Return on risk weighted assets	1.8%	2.4%	

¹ Excludes \$100 million (2013: \$106 million) in respect of own credit adjustment

C&I delivered a resilient income performance in 2014 despite the challenging market conditions and the impact of management actions to reshape the business, in particular the derisking of certain client portfolios.

Operating income fell 2 per cent compared with 2013. Client income, constituting over 85 per cent of operating income, declined 1 per cent, or \$138 million, to \$9,174 million. Excluding the impact of derisking, client income rose 1 per cent and operating income was flat.

Income from Financial Institution clients rose 9 per cent, driven by a record performance from our Investors segment. Local Corporates income fell 3 per cent compared to 2013 impacted by derisking actions. Excluding the impact of derisking, income was resilient, up 2 per cent, led by growth in our aircraft leasing business. Global Corporates income fell 4 per cent reflecting lower syndicated loan volumes and a reduced contribution from leveraged finance

Own account income fell 6 per cent as higher ALM and Principal Finance income was more than offset by lower Financial Markets income.

Income from Transaction Banking was down by 1 per cent reflecting lower global volumes in trade finance. Despite intense competition, we maintained Trade margins, while market share rose slightly. Income from Cash Management & Custody rose 3 per cent with increased fee income reflecting record US dollar clearing volumes and strong growth in our Securities Services business.

Financial Markets income fell 11 per cent compared to 2013 driven by low market volatility leading clients to reduce hedging activity and by a decline in capital market income. 2014 performance was also impacted by factors specific to our footprint including RMB band widening and lower structured notes income in North East Asia. These factors were partially offset by strong growth in Cash FX volumes.

Corporate Finance income fell 1 per cent, with strong growth in M&A advisory fees offset by increased levels of repayments.

Principal Finance income almost doubled compared to 2013 primarily as a result of increased levels of realised gains on investment exits. ALM income rose 14 per cent, driven by robust accrual income.

Operating expenses were up \$237 million, or 5 per cent, to \$5,191 million driven by increased regulatory and compliance costs and restructuring charges in the fourth quarter of 2014. This was partially offset by a reduction in variable compensation costs.

Loan impairment increased by \$503 million, or 103 per cent, to \$991 million driven by specific impairments in Greater China and ASEAN, largely in respect of lending secured by Commodities. We are actively managing our commodity credit exposure and a detailed breakdown of our portfolio is on page 34.

Other impairment was higher by \$194 million at \$307 million, largely due to commodity financing positions in Greater China and impairments against certain strategic investments within the Europe region.

Operating profit fell by \$1,117 million, or 21 per cent, to \$4,140 million.

Balance sheet

Customer loans and advances fell 2 per cent, impacted by declining commodity prices, lower market-wide trade levels and derisking activities.

Risk weighted assets (RWA) increased by 10 per cent primarily due to the impact of Basel III and policy, methodology and model changes. Excluding this impact, RWAs were flat with actions to manage RWA's offsetting asset growth and the impact of credit migration. Operating profit return on RWA declined from 2.4 per cent to 1.8 per cent.

Customer deposits increased 16 per cent compared to 2013 largely reflecting increased term deposits and higher Cash Management balances with an improved CASA ratio.

Standard Chartered PLC – Segmental Analysis continued

Commercial Clients

The Commercial client segment was established in 2014 and serves medium-sized businesses who are managed by dedicated relationship managers.

2014 was a year of transition with significant management action taken to reposition the business, including an extensive client due diligence (CDD) remediation programme. Operating profit fell 66 per cent due to weaker income from Principal Finance and Financial Markets, the impact of client exits and from increased impairment:

- Principal Finance income fell due to lower mark to market valuations, while the decline in Financial Markets income was driven by RMB band widening.
- As we worked through our CDD remediation programme, we exited or moved clients to other client segments if their risk profile did not fit into the Commercial Clients model. We also exited our SME business in the UAE in line with the New York DFS order.
- Total impairment rose 45 per cent driven by a small number of specific loan impairments and a write-down on a strategic investment.

Progress against strategic objectives

- We addressed potential operational and credit risk by derisking the client base and upgrading our level of client due diligence. These derisking actions included an extensive client due diligence (CDD) remediation programme and significant number of client exits.
- As part of our ongoing commitment to raising the bar on CDD quality, we successfully migrated 74 per cent of our client base onto an electronic platform.
- We began to build a globally consistent and enhanced operating platform, which included moving towards a globally consistent organisational model and appointing new Commercial Clients heads in all our 20 countries.
- These actions have impacted 2014 performance but have created a more robust and competitively differentiated platform from which to grow the business going forward.

Financial performance

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

	2014	2013	Better/ (worse)
	\$million	\$million	%
Transaction Banking	560	640	(13)
Financial Markets	208	262	(21)
Corporate Finance	25	33	(24)
Lending and Portfolio Management	259	298	(13)
Wealth Management	121	140	(14)
Retail Products	10	5	100
Asset and Liability Management	32	37	(14)
Principal Finance	(33)	96	(134)
Operating income	1,182	1,511	(22)
Operating expenses	(739)	(731)	(1)
Loan impairment	(212)	(157)	(35)
Other impairment	(35)	(13)	(169)
Profit from associates and joint ventures	22	37	(41)
Operating profit	218	647	(66)
Client income	1,128	1,321	(15)
Customer loans and advances	14,651	17,802	(18)
Customer deposits	22,787	33,705	(32)
Risk weighted assets	24,652	25,696	(4)
Return on risk weighted assets	0.9%	2.5%	

Standard Chartered PLC – Segmental Analysis continued

Operating income fell 22 per cent compared to 2013 and client income fell 15 per cent. Financial Markets income fell 21 per cent as the RMB band widening actions in the first half of 2014 reduced client demand for hedging, disrupting the flow of FX revenues in the Greater China region.

Income from both Transaction Banking and Lending declined 13 per cent impacted by CDD remediation, de-risking and client exits as well by the weaker market-wide trade volumes.

Other income was down due to lower income from Principal Finance as a result of lower mark-to-market valuations and reduced levels of realisations compared to 2013.

Expenses rose 1 per cent with increased costs from CDD remediation offset by a reduction in business volume related costs.

Loan impairment increased by \$55 million to \$212 million, driven by a small number of exposures in Hong Kong and China. Other impairment rose \$22 million due to the impairment of an associate investment.

Operating profit fell by \$429 million, or 66 per cent, to \$218 million.

Balance sheet

Customer loans and advances decreased by 18 per cent as a result of client exits as a part of CDD remediation and lower Trade balances.

Risk weighted assets fell 4 per cent as the impact of client exits during the year more than offset policy, methodology and model changes. Despite this fall, the return on risk weighted assets declined from 2.5 per cent to 0.9 per cent primarily due to lower income performance.

Customer deposits fell 32 per cent reflecting client exits, increased levels of competition in Hong Kong and Singapore and optimisation of our funding mix. Commercial clients, however, remain a net liquidity generator for the Group.

Standard Chartered PLC – Segmental Analysis continued

Private Banking Clients

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

Operating profit fell 14 per cent due to the exit of our Geneva and Korean businesses and an impairment of a strategic investment. Operating profit rose 11 per cent excluding these items, reflecting a strong underlying income performance in Greater China and ASEAN regions coupled with disciplined cost control.

Progress against strategic objectives

- In 2014, we set a new strategy for Private Banking, taking a number of actions to align the business to Standard Chartered's corporate client base and markets.
- We exited peripheral Private Banking businesses, focussing the business on the international wealth centres of Hong Kong, Singapore and London. We increased the number of relationship managers despite exiting our Geneva business.
- We added 1,300 clients in 2014. We now have an internal referral pilot scheme in place aimed at capturing client opportunities across the Private Banking, Commercial and C&I segments.
- We deepened client relationships and saw improved investment product penetration up from 46 per cent to 51 per cent of AUM. This will continue to be a focus in 2015.
- In 2014, we defined and started to execute on a three-year technology and operations programme to upgrade client experience and improve front office productivity.

Financial performance

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

	2014	2013	Better / (worse)
	\$million	\$million	%
Transaction Banking	1	3	(67)
Wealth Management	406	378	7
Retail Product	189	196	(4)
Asset and Liability Management	16	9	78
Operating income	612	586	4
Operating expenses	(447)	(407)	(10)
Loan impairment	-	(8)	100
Other impairment	(16)	-	-
Profit from associates and joint ventures	-	2	(100)
Operating profit	149	173	(14)
Client income	586	566	4
Customer loans and advances	18,056	17,159	5
Customer deposits	29,621	32,212	(8)
Risk weighted assets	7,409	5,634	32
Return on risk weighted assets	2.3%	3.0%	

Operating income and client income rose 4 per cent compared to 2013 or 6 per cent excluding the impact of business exits in Korea (2013) and Geneva (2014).

The growth in income was driven by strong performances by the Greater China and ASEAN regions with good growth in both assets under management and Lending. This was partly offset by client de-leveraging in Europe and margin compression in Deposits. 2014 saw good momentum in net new money with assets under management (AUM) increasing 3 per cent to \$60 billion. Excluding the impact of business exits, AuM increased 8 per cent as a result of a refocused approach to client asset acquisition.

Expenses were up \$40 million, or 10 per cent, compared to 2013 primarily due to costs related to the exit of the Geneva business. Excluding these costs, expenses rose 3 per cent.

Other impairment increased to \$16 million following a write-down of an associate investment, impacted by business exists and other impairment charge.

Operating profit fell by \$24 million or 14 per cent.

Balance sheet

Customer loans and advances increased by 5 per cent reflecting good growth in Wealth lending. Mortgages were broadly flat compared to 2013 due to client deleveraging.

Risk-weighted assets have increased by 32 per cent compared to 2013 primarily due to policy, methodology and model changes and growth in Wealth Management lending. Operating profit return on risk weighted assets fell to 2.3 per cent from 3.0 per cent.

Customer deposits fell 8 per cent as we exited higher cost Time Deposit products, coupled with the impact of closing Geneva.

Standard Chartered PLC – Segmental Analysis continued

Retail Clients

Retail Clients serves Priority, Personal and Business Clients.

Operating Profit fell by 6 per cent with 2 per cent growth in income offset by higher expenses:

- Retail Products income fell 4 per cent as a result of continued de-risking of the unsecured lending portfolio.
- Income from Wealth Management rose 26 per cent benefitting from the renewal of a multi-country distribution agreement with Prudential.
- Expenses were up 4 per cent driven by restructuring charges.

Progress against strategic objectives

- In 2014, Retail Clients reconfirmed its strategy of focusing on affluent clients.
- The shift to the affluent segment accelerated, with the share of revenue from Priority and Business Clients increasing to 40 per cent in 2014 from 37 per cent in 2013.
- A significant repositioning and restructuring programme was initiated to improve expense efficiency and the business is on-track to deliver its target efficiency saves in 2015.
- Continued progress on derisking the unsecured lending portfolio.
- Strengthening of conduct continued to be a key focus. During 2014, Retail Clients exited its third-party sales force to improve controls.

Financial performance

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

	2014	2013	Better / (worse)
	\$million	\$million	%
Transaction Banking	18	15	20
Wealth Management	1,174	931	26
Retail Products	4,641	4,845	(4)
Assets and Liability Management	176	127	39
Operating income	6,009	5,918	2
Operating expenses	(4,002)	(3,866)	(4)
Loan impairment	(938)	(964)	3
Other impairment	(45)	(3)	nm
Profit from associates and joint ventures	28	31	(10)
Operating profit	1,052	1,116	(6)
Client income	5,735	5,673	1
Customer loans and advances	97,922	100,148	(2)
Customer deposits	117,050	114,003	3
Risk weighted assets	64,992	69,261	(6)
Return on risk weighted assets	1.6%	1.6%	

Operating income rose 2 per cent to \$6,009 million with client income up 1 per cent compared to 2013. Income growth during the year was impacted by continued de-risking of the unsecured lending portfolio in select markets, this was more than offset by strong growth in Wealth Management income.

Wealth Management income grew 26 per cent with strong growth from bancassurance products, benefitting from the renewal of a multi-country distribution agreement with Prudential in the current year. Non-bancassurance revenue rose 9 per cent, with AuM up 11 per cent. CCPL income declined 8 per cent, or \$212 million, driven by regulatory changes, rate caps and continued de-risking of the personal lending portfolio which impacted Korea and Thailand in particular. Income from Mortgages and Auto also declined mainly due to property cooling measures in Hong Kong and Singapore and the continued run-off of the auto financing book. Income from Deposits increased with strong growth in CASA volumes and the exit of higher cost Time Deposits.

Expenses were up 4 per cent at \$4,002 million driven by restructuring costs.

Loan impairment was down 3 per cent at \$938 million due to lower levels of unsecured lending impairments in Korea as the

level of PDRS filings declined. This was partly offset by higher charges in Thailand.

Other impairment rose \$42 million primarily due to an impairment of an associate investment.

Operating profit fell by \$64 million, or 6 per cent, to \$1,052 million.

Balance Sheet

Loans and advances to customers fell by 2 per cent with the unsecured lending portfolio down \$2.2 billion compared to 2013 from continued de-risking of the personal lending portfolio, regulatory changes and currency translation impact. This decline was partly offset by the growth of mortgages in Korea and Hong Kong.

Risk weighted assets fell by 6 per cent reflecting the de-risking actions. Operating profit return on risk weighted assets was flat at 1.6 per cent.

Customer deposits rose 3 per cent driven by growth in CASA funding which was partly offset by a reduction in higher cost Time Deposits.

Standard Chartered PLC – Segmental Analysis continued

Operating income by product and segment

Income by product and client segment is set out below:

	2014				
	Total \$million	Corporate & Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million
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	-	-
Lending and Portfolio Management	1,026	767	259	-	-
Wealth Management	1,701	-	121	406	1,174
Retail Products	4,840	-	10	189	4,641
Cards, Personal Loans and Unsecured Lending	2,576	-	-	-	2,576
Deposits	1,222	-	10	132	1,080
Mortgage and Auto	938	-	-	56	882
Other Retail Products	104	-	-	1	103
Asset and Liability Management	653	429	32	16	176
Principal Finance	325	358	(33)	-	-
Total Operating income ¹	18,234	10,431	1,182	612	6,009

¹ Excludes \$100 million relating to own credit adjustment

	2013				
	Total \$million	Corporate & Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million
Transaction Banking	3,911	3,253	640	3	15
Trade	2,069	1,715	336	3	15
Cash Management and Custody	1,842	1,538	304	-	-
Financial Markets	3,856	3,594	262	-	-
Foreign Exchange	1,413	1,195	218	-	-
Rates	917	900	17	-	-
Commodities and Equities	507	492	15	-	-
Capital Markets	558	553	5	-	-
Credit and Other ¹	461	454	7	-	-
Corporate Finance	2,519	2,486	33	-	-
Lending and Portfolio Management	1,065	767	298	-	-
Wealth Management	1,449	-	140	378	931
Retail Products	5,046	-	5	196	4,845
Cards, Personal Loans and Unsecured Lending	2,788	-	-	-	2,788
Deposits	1,193	-	5	140	1,048
Mortgage and Auto	997	-	-	54	943
Other Retail Products	68	-	-	2	66
Asset and Liability Management	548	375	37	9	127
Principal Finance	277	181	96	-	-
Total Operating income ¹	18,671	10,656	1,511	586	5,918

¹ Excludes \$106 million relating to own credit adjustment

Standard Chartered PLC – Segmental Analysis continued

Transaction Banking:

Income fell 3 per cent with Trade income down 5 per cent and Cash Management and Custody income flat compared to 2013. Trade balance sheet volumes were lower as a result of management actions and the continuing slow trade environment which saw overall market volumes decline. This was in part offset by a marginal increase in Trade NIM. Cash volumes were up year on year driven by record clearing levels, supporting fee growth. Custody income benefitted from the continued roll-out of our global platform and to a lesser extent the acquisition of a custodial business in South Africa in the second half of 2013.

Financial Markets: Income decreased 12 per cent compared to 2013 driven by low market volatility leading clients to reduce hedging activity and also from the impact of RMB band widening in the first quarter of the year.

Rates income fell 18 per cent reflecting lower levels of client hedging due to the continuing low interest rate environment which impacted structured products in particular.

FX income fell 7 per cent year on year due to lower spreads reflecting low levels of volatility across our markets although pockets of volatility returned in the second half of the year. Volumes remained strong, however, and Cash FX notional increased by 47 per cent compared to 2013. Income from FX options was adversely impacted by the RMB band widening which reduced client demand for hedging.

Capital Markets income fell 22 per cent impacted by margin compression, lower fees and negative mark-to-market movements on syndicated loans.

Corporate Finance: Income fell 1 per cent with significant market challenges and high liquidity resulting in increased repayment levels. This was partially offset by a significant rise in

M&A advisory fees and increased origination activity in our financing businesses.

Lending and Portfolio Management: Income fell 4 per cent reflecting lower average balances as we exited lower returning relationships.

Wealth Management: Income growth of 17 per cent driven by strong growth in bancassurance income, which benefitted from the renewal of a strategic multi-year bancassurance partnership in the second half of the year. AuM also grew strongly primarily in Hong Kong and Singapore due to a stronger value proposition and favourable market conditions in the first half of the year. This was partly offset by lower income from structured products which was impacted by low levels of volatility.

Retail Products: Income fell 4 per cent compared to 2013 due to de-risking actions, regulatory changes and adverse mortgage market conditions in certain markets. De-risking actions included the exit of personal loans originations in riskier segments in Korea and Thailand and the replacement of third-party sales channels with internal staff. Mortgage transactions were lower due to property cooling measures by the government in Hong Kong and Singapore. Deposits income increased 2 per cent as we replaced higher cost Time Deposits with higher margin CASA products.

Asset and Liability Management: Income rose 19 per cent reflecting improved accrual income which more than offset lower income from securities sales.

Principal Finance: income was up 17 per cent benefitting from increased levels of realised gains from investment exits, partially offset by lower mark to market valuations. The majority of the realisations in 2014 benefits the Corporate & Institutional client segment compared to the Commercial client segment in 2013.

Standard Chartered PLC – Geographic Analysis

Performance by geography

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

2014									
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income ¹	5,446	1,459	1,855	3,716	1,843	1,829	861	1,225	18,234
Operating profit/(loss) ^{1,2}	2,101	(125)	806	916	769	673	171	(118)	5,193

¹ Excludes \$100 million in respect of own credit adjustment (Greater China \$94 million, ASEAN (\$3) million and Europe \$9 million)

² Excludes \$300 million civil monetary penalty in Americas, \$32 million for goodwill impairment charge in Greater China and \$726 million goodwill impairment charge in North East Asia

2013									
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income ¹	5,198	1,639	2,040	4,011	1,865	1,751	858	1,309	18,671
Operating profit/(loss) ^{1,2}	2,331	(3)	897	1,620	858	619	311	325	6,958

¹ Excludes \$106 million in respect of own credit adjustment (Greater China \$(1) million, North East Asia \$2 million, ASEAN \$45 million and Europe \$60 million)

² Excludes \$1 billion relating to goodwill impairment charge on Korea business in North East Asia

Greater China

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

	2014	2013	Better / (worse)
	\$million	\$million	%
Client income ¹	5,029	4,846	4
Other Income	417	352	18
Operating income¹	5,446	5,198	5
Operating expenses	(2,911)	(2,772)	(5)
Loan impairment	(469)	(242)	(94)
Other impairment ²	(142)	1	nm
Profit from associates and joint ventures	177	146	21
Operating profit	2,101	2,331	(10)
Net Interest margin (%)	1.7	1.8	
Customer loans and advances ³	89,646	89,846	-
Customer deposits ³	151,644	145,282	4
Risk weighted assets	66,585	63,284	5

¹ Excludes \$94 million (2013: \$(1) million) in respect of own credit adjustment

² Excludes \$32 million goodwill impairment in 2014

³ Based on the location of the customers rather than booking location

Income in Greater China was up \$248 million, or 5 per cent, to \$5,446 million.

Income growth remains broad based and resilient across most client segments as well as across major product categories. In Retail, income grew 10 per cent, in Private Banking, income was up 18 per cent, in Corporate & Institutional, income grew 7 per cent while in Commercial Clients, income was lower by 26 per cent year on year.

There was strong growth in Assets under Management, driving Wealth Management income up compared to 2013. Income from retail deposits also grew strongly, benefitting from improved spreads as well as good growth in balances. This was partly offset by a decline in CCPL income as we derisked the portfolio.

Income from Corporate Finance increased, driven by the continued expansion of the leasing portfolios. There was also good growth achieved in Capital Markets from higher deal flows.

Financial Markets income rose marginally with good growth achieved in own account, particularly ALM, offsetting lower derivatives sales income. Derivatives sales income had been affected by low market volatilities resulting in spread compression affecting Rates and Foreign Exchange while volumes remained good. The RMB band widening in the first quarter of 2014 also resulted in lower income from FX options compared to 2013 as client hedging reduced.

Corporate lending income rose as volumes increased.

Cash Management income increased with slight improvements in margins. In Trade, however, income declined due to lower volumes as trade flows slowed although margins improved.

Costs remain well managed and operating expenses grew 5 per cent. Excluding the impact of higher depreciation from our leasing business, expenses rose 4 per cent. We continued to invest to improve our infrastructure and opened a flagship wealth

Standard Chartered PLC – Geographic Analysis continued

management centre in Hong Kong. We expanded our workforce, increasing front-line staff as well as in compliance areas.

Loan impairment was \$227 million higher at \$469 million and other impairment rose \$143 million to \$142 million. Loan impairment rose primarily due to higher provisions taken on the corporate exposures in China, and also includes provisions on commodities financing transactions. Other impairment primarily relates to charges against commodities transactions.

As a result of higher impairment charges, operating profit fell \$230 million, or 10 per cent, to \$2,101 million.

North East Asia

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

	2014	2013	Better / (worse)
	\$million	\$million	%
Client income ¹	1,323	1,462	(10)
Other income	136	177	(23)
Operating income¹	1,459	1,639	(11)
Operating expenses	(1,179)	(1,186)	1
Loan impairment	(394)	(427)	8
Other impairment ²	(11)	(29)	62
Operating loss	(125)	(3)	nm
Net interest margin (%)	2.0	2.1	
Customer loans and advances ³	29,582	30,618	(3)
Customer deposits ³	32,616	34,059	(4)
Risk weighted assets	23,990	26,701	(10)

¹ Excludes \$2 million benefit in respect of own credit adjustment in 2013

² Excludes \$726 million (2013: \$1 billion) relating to goodwill impairment charge on Korea business

³ Based on the location of the customers rather than booking location

Income was down \$180 million or 11 per cent, to \$1,459 million. Korea represents over 94 per cent of income within this region.

Client income fell 10 per cent reflecting both difficult market conditions and the impact of management action to return the franchise to profitability. Retail Clients income fell 10 per cent, the majority of this reduction was due to a loss of unsecured income as we continued to de-risk the personal lending portfolio in light of high credit losses. Corporate and Institutional Clients income fell 14 per cent. The majority of the decrease came from reduced Financial Markets income driven by lower sales of structured products. Reduced client activity also impacted Transaction Banking, where Trade income fell due to lower volumes and Cash Management income was impacted by a reduction in the size and tenor of balances.

Income earned from Korean businesses elsewhere in the Group's network grew 3 per cent.

Expenses were marginally lower by 1 per cent at \$1,179 million. We have continued to progress an aggressive campaign of cost reduction, with two Special Retirement Plan exercises in Korea helping to drive headcount down to its lowest level since 2010 for a cost of \$52 million. In addition a further 50 retail branches were closed in Korea during the year reducing the network footprint from 343 to 283.

Balance sheet

Customer loans and advances were flat compared to 2013. Growth in Retail balances was offset by lower lending to Commercial clients as we derisked the portfolio.

Risk weighted assets rose 5 per cent.

Customer deposits rose 4 per cent as we grew CASA balances across the region, with reduced reliance on higher cost structured deposits.

Loan impairment fell by \$33 million, or 8 per cent. In Retail Clients loan impairment related to the Personal Debt Rehabilitation Scheme (PDRS) filings fell reflecting the impact of the maintenance of tightened credit underwriting criteria. In December 2014 the adverse impact of PDRS filings on the franchise were at their lowest level since December 2012 and reflect a sustained improvement.

The operating loss in the region increased by \$122 million compared to 2013 to a loss of \$125 million. However, there was a marked improvement in the second half of the year as the operating loss improved by \$107 million to a loss of \$9 million compared to the first half. This reflects stronger second half income driven by increased Private Equity realisations and the fact that restructuring charges were predominantly phased into the first half of the year.

Balance sheet

Customer loans and advances reduced by 3 per cent, the continued decline in unsecured lending balances more than offsetting the growth in mortgage assets which grew as we took advantage of a relaxation in regulatory restrictions on mortgage lending.

Risk weighted assets fell 10 per cent primarily due to the continuing derisking actions on the unsecured portfolio.

Customer deposits fell 4 per cent with increased CASA balances offset by reducing Time Deposits.

Standard Chartered PLC – Geographic Analysis continued

South Asia

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

	2014	2013	Better / (worse)
	\$million	\$million	%
Client income	1,725	1,770	(3)
Other income	130	270	(52)
Operating income	1,855	2,040	(9)
Operating expenses	(793)	(823)	4
Loan impairment	(183)	(215)	15
Other impairment	(73)	(105)	30
Operating profit	806	897	(10)
Net interest margin (%)	3.8	3.9	
Customer loans and advances ¹	22,859	25,608	(11)
Customer deposits ¹	15,533	16,128	(4)
Risk weighted assets	26,522	26,721	(1)

¹ Based on the location of the customers rather than booking location

Income fell \$185 million, or 9 per cent, to \$1,855 million. On a constant currency basis, income fell 6 per cent. Around 78 per cent of the income in this region is from India, which continues to focus on partnering with global corporate to leverage the Group's network.

Client income was 3 per cent lower compared to 2013 primarily due to reduced income from Transaction Banking and FM products. Transaction Banking income fell due to lower average balances across Trade and Cash Management, as we consciously reduced low returning exposures. The fall in FM income reflected lower spreads and reduced fee income due to a smaller number of deals in Capital Markets in the current year. This was partly offset by higher Lending income as margins improved. Income from CCPL fell as margins and balances declined as we derisked the unsecured portfolio. Own account income also fell due to lower derisking activity in the current year and lower Principal Finance realisations.

Operating expenses across the region fell \$30 million, or 4 per cent, to \$793 million, as we continued to manage costs tightly.

Loan impairment fell \$32 million, or 15 per cent, to \$183 million and though lower than last year, remains at elevated levels reflective of the stress in the banking sector.

Other impairment fell 30 per cent to \$73 million due to reduced Private Equity impairments in the current year.

Operating profit fell \$91 million to \$806 million.

Balance sheet

Customer lending (which includes lending to India clients that are booked in other regions) fell 11 per cent compared to 2013. Onshore lending rose 3 per cent with portfolio growth impacted by the current economic environment. Lending booked offshore fell 22 per cent due to maturities and lower deal origination.

Onshore risk weighted assets were flat compared to 2013 as derisking actions offset portfolio growth.

Onshore customer deposits fell 4 per cent as there was a continued focus on generating low cost CASA with higher cost deposits being run-off.

ASEAN

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

	2014	2013	Better / (worse)
	\$million	\$million	%
Client income ¹	3,482	3,646	(4)
Other income	234	365	(36)
Operating income¹	3,716	4,011	(7)
Operating expenses	(2,078)	(2,075)	-
Loan impairment	(698)	(396)	(76)
Other impairment	(86)	2	nm
Profit from associates and joint ventures	62	78	(21)
Operating profit	916	1,620	(43)
Net interest margin (%)	1.8	1.8	
Customer loans and advances ²	78,541	82,852	(5)
Customer deposits ²	94,208	95,908	(2)
Risk weighted assets	82,603	80,377	3

¹ Excludes \$(3) million (2013: \$45 million) in respect of own account credit adjustment

² Based on the location of the customers rather than booking location

Standard Chartered PLC – Geographic Analysis continued

Operating income was down \$295 million, or 7 per cent, to \$3,716 million.

Client income decreased by 4 percent compared to 2013 due to difficult market conditions and regulatory headwinds, together with margin compression. Wealth Management income increased, benefitting from the renewed multi-year bancassurance partnership with Prudential and growth in secured lending. Transaction Banking income fell due to increased competition amidst market slow down and soft commodities pricing. FM income was also down due to continued margin compression and fall in Commodities business as a result of global decline in oil prices. Corporate Finance income fell as higher income from the M&A advisory business was offset by high liquidity in the market. Income from Retail products fell as regulatory measures impacted major ASEAN markets such as Singapore, Malaysia and Indonesia and we took actions to derisk our sales model in Thailand. Own account income was impacted by challenging market conditions of sustained low volatility and stable interest rate environment.

Operating expenses were flat at \$2,078 million, reflecting enhanced productivity and tight management of discretionary costs.

Loan impairment was up by \$302 million, or 76 per cent, to \$698 million. Although impairment levels in Singapore fell, this was more than offset by higher provisions on a small number of corporate clients in Indonesia, Thailand and Malaysia, in part due to weaker commodity markets, and Personal Loan deterioration in Thailand and Indonesia.

Other impairment was up by \$88 million, to \$86 million, which relates primarily to the impairment of an associate investment.

As a result, ASEAN delivered an operating profit of \$916 million, down 43 per cent compared to 2013.

Balance sheet

Customer loans and advances fell 5 per cent largely as we reduced exposures to low returning clients and reflecting lower Trade balances.

Risk weighted assets rose 3 per cent largely due to policy and model methodology changes.

Customer deposits fell 2 per cent, with the proportion of CASA balances increasing as more expensive term deposits were rolled off.

Middle East, North Africa and Pakistan (MENAP)

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

	2014 \$million	2013 \$million	Better / (worse) %
Client income	1,625	1,663	(2)
Other income	218	202	8
Operating income	1,843	1,865	(1)
Operating expenses	(984)	(960)	(3)
Loan impairment	(89)	(47)	(89)
Other impairment	(1)	-	nm
Operating profit	769	858	(10)
Net interest margin (%)	2.8	2.9	
Customer loans and advances ¹	22,775	23,535	(3)
Customer deposits ¹	22,447	22,520	-
Risk weighted assets	29,775	29,402	1

¹ Based on the location of the customers rather than booking location

Standard Chartered PLC – Geographic Analysis continued

Operating income fell \$22 million, or 1 per cent, to \$1,843 million. Client income fell 2 per cent across the region primarily due to high levels of liquidity, the absence of market volatility and the resurgence of competition from regional banks. Strong performances in our markets across the region have largely offset a softer performance in the UAE.

Continued spread compression as a result of the low volatility, low interest rate environment offset good levels of customer activity in FX and Rates. Transaction Banking income rose slightly, as margin compression in Cash Management was offset by higher average balances. Income from Corporate Finance was lower, as deal flow slowed, and Lending income was impacted by repayments and continued balance sheet optimisation as we adhered to our criteria for risk and return. Volumes in CCPL and Mortgages increased as market conditions improved, offsetting margin compression from competitive pricing and surplus liquidity.

Own account income rose due to lower income from commodities and EM rates which was more than offset by higher income from de-risking activities in ALM.

Africa

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

	2014	2013	Better / (worse)
	\$million	\$million	%
Client income	1,539	1,560	(1)
Other income	290	191	52
Operating income	1,829	1,751	4
Operating expenses	(990)	(862)	(15)
Loan impairment	(175)	(270)	35
Other impairment	(1)	-	nm
Profit from associates and joint ventures	10	-	nm
Operating profit	673	619	9
Net interest margin (%)	4.7	5.6	
Customer loans and advances ¹	13,103	13,122	-
Customer deposits ¹	11,224	11,686	(4)
Risk weighted assets	20,289	19,729	3

¹ Based on the location of the customers rather than booking location

Operating income in Africa grew 4 per cent to \$1,829 million, with client income falling 1 per cent. There was significant currency depreciation against the US dollar across a number of markets during the year and on a constant currency basis, income rose 15 per cent and client income was up 8 per cent.

Transaction Banking income fell due to ongoing margin compression, currency depreciation and the impact of falling commodity prices which reduced overall trade average balances. This was partly offset by an increase in Cash Management volumes. FM income rose with strong volume growth partly offset by margin compression as competition intensified across the region. Corporate Finance income remains well diversified with an increase in deals closed of 7 per cent year on year.

Retail demonstrated good performance as income grew largely driven by Wealth Management and Mortgages & Auto Loans. Growth in unsecured lending continued to focus on employee banking relationships, with margin compression partly offsetting volume growth.

Operating expenses in the region were \$24 million, or 3 per cent, higher at \$984 million predominantly driven by incremental costs from our newly launched Iraq operations and restructuring provisions.

Loan impairment increased by \$42 million to \$89 million.

Operating profit was down \$89 million, or 10 per cent, to \$769 million.

Balance sheet

Customer loans and advances fell 3 per cent primarily as a result of material repayments as origination activities were impacted by excess market liquidity.

Risk weighted assets increased 1 per cent and customer deposits remained broadly flat as CASA outflows were offset by increased term deposits.

Operating expenses in Africa were 15 per cent higher than 2013 (or 25 per cent higher on a constant currency basis). The growth was primarily as a result of restructuring costs, flow through of prior year investments, investments in new markets and inflationary pressures.

Loan impairment fell \$95 million, or 35 per cent, mainly attributable to lower specific provisions in the Corporate & Institutional client segment.

Operating profit rose 9 per cent compared to 2013 to \$673 million. On a constant currency basis, operating profit grew 20 per cent.

Balance sheet

The overall shape of the balance sheet remains strong, with customer loans broadly flat compared to 2013.

Risk weighted assets grew 3 per cent.

Customer deposits fell 4 per cent as we repositioned away from Time Deposits and increased the proportion of funding derived from CASA.

Standard Chartered PLC – Geographic Analysis continued

Americas

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

	2014	2013	Better / (worse)
	\$million	\$million	%
Client income	802	799	-
Other income	59	59	-
Operating income	861	858	-
Operating expenses¹	(668)	(536)	(25)
Loan impairment	(21)	(11)	(91)
Other impairment	(1)	-	nm
Operating profit	171	311	(45)
Net interest margin (%)	0.6	0.7	
Customer loans and advances ²	10,952	10,429	5
Customer deposits ²	34,019	15,406	121
Risk weighted assets	13,692	12,454	10

¹ Excludes \$300 million in respect of civil monetary penalty in 2014

² Based on the location of the customers rather than booking location

Operating income was resilient at \$861 million, flat to 2013, with increased client activity and higher volumes in Trade and Cash Management and across FX products. Transaction Banking revenues were flat year on year as a strong increase in client business volumes was more than offset by lower margins due to excess liquidity and decreased spreads on cash liabilities due to low USD interest rates. Lending income rose as a result of increased volumes and financing fees earned from clients. Corporate Finance income also increased as margins improved and pipeline deals executed.

Own account income was impacted by low volatility and reduced bid-offer spreads, and lower commodity prices. This was offset by improved FX and Rates income as increased volumes helped offset spread compression and by improved ALM income on higher reinvestment yields.

Operating expenses were \$132 million, or 25 per cent, higher at \$668 million primarily driven by increase of regulatory compliance costs. Staff costs also increased due to restructuring initiatives.

Operating profit fell \$140 million, or 45 per cent, to \$171 million.

Balance sheet

Customer loans and advances increased 5 per cent with almost three-quarters of the portfolio having a tenor of less than one year.

Customer Deposits increased strongly primarily due to efforts to improve liability mix by growing corporate Time Deposits.

Europe

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

	2014	2013	Better / (worse)
	\$million	\$million	%
Client income ¹	1,098	1,126	(2)
Other Income	127	183	(31)
Operating income¹	1,225	1,309	(6)
Operating expenses	(1,142)	(979)	(17)
Loan impairment	(112)	(9)	nm
Other impairment	(88)	2	nm
Profit from associates and joint ventures	(1)	2	nm
Operating (loss)/profit	(118)	325	(136)
Net interest margin (%)	0.8	1.0	
Customer loans and advances ²	21,141	20,005	6
Customer deposits ²	52,498	49,982	5
Risk weighted assets	89,592	74,389	20

¹ Excludes \$9 million (2013: \$60 million) in respect of own credit adjustment

² Based on the location of the customers rather than booking location

Income was down \$84 million, or 6 per cent to \$1,225 million.

Client income declined \$28 million, or 2 per cent to \$1,098 million, largely as a result of derisking actions. Transaction Banking income was up on strong growth from Trade Loans to FI clients. Financial Markets income increased as FX volumes

grew strongly on the roll-out of an e-commerce electronic trading platform, and debt capital markets income increased on rising bond markets. Income from other Financial Market products declined as low levels of market volatility reduced client hedging requirements and investment opportunities. Corporate Finance income was down reflecting net repayments, increased competition and margin compression. In the Advisory business,

Standard Chartered PLC – Geographic Analysis continued

the volume of deals was broadly flat year on year, but average fees declined. Income from Wealth Management and Retail products provided to Private Banking clients was down due to lower advisory fees and real estate lending in a challenging investment and market trading environment.

Own Account income declined 31 per cent primarily due to low FX volatility, falling commodity prices and the impact of higher holdings of liquid assets.

Operating expenses rose \$163 million, or 17 per cent, to \$1,142 million driven by an increase in the UK bank levy of \$131 million to \$366 million and costs incurred in restructuring our presence in Europe through exiting the Private Banking operations in Geneva, selling the Retail Business in Germany and closing the offices in Russia and Austria.

Loan Impairment was higher by \$103 million to \$112 million, with higher provisions against commodity clients.

Other impairment increased \$90 million to \$88 million following provisions against strategic and associate investments and a share of a commodity fraud loss.

Operating profit fell by \$443 million to a loss of \$118 million.

Balance sheet

Customer loans and advances booked in the region increased 6 per cent as we continued to reduce exposures to low returning clients and the impact of lower Trade volumes and Corporate Finance repayments.

Risk weighted assets increased 20 per cent primarily due to policy, methodology and model changes coupled with credit migration.

Customer deposits rose 5 per cent as we continued to build our liquid assets.

Group summary consolidated balance sheet

	2014 \$million	2013 \$million	Increase / (decrease) \$million	Increase / (decrease) %
Assets				
Cash and balances at central banks	97,282	54,534	42,748	78
Loans and advances to banks ¹	87,500	86,169	1,331	2
Loans and advances to customers ¹	288,599	296,015	(7,416)	(3)
Investment securities ¹	129,347	124,277	5,070	4
Derivative financial instruments	65,834	61,802	4,032	7
Other assets	57,352	51,583	5,769	11
Total assets	725,914	674,380	51,534	8
Liabilities				
Deposits by banks ¹	55,323	44,526	10,797	24
Customer accounts ¹	414,189	390,971	23,218	6
Debt securities in issue ¹	80,788	71,412	9,376	13
Derivative financial instruments	63,313	61,236	2,077	3
Subordinated liabilities and other borrowed funds	22,947	20,397	2,550	13
Other liabilities ¹	42,616	38,997	3,619	9
Total liabilities	679,176	627,539	51,637	8
Equity	46,738	46,841	(103)	-
Total liabilities and shareholders' funds	725,914	674,380	51,534	8

¹ Includes balances held at fair value through profit or loss

Standard Chartered PLC – Group balance sheet overview

Balance sheet

The Group's balance sheet remains resilient and well diversified. We continue to be highly liquid and primarily deposit funded, with an advances to deposits ratio of 69.7 per cent, down from the previous year-end position of 75.7 per cent. We continue to be a net lender into the interbank market, particularly in Hong Kong, Singapore and within the Americas and Europe regions. The Group's funding structure remains conservative, with limited levels of refinancing over the next few years.

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

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

Cash and balances at central banks

Cash balances rose by \$43 billion reflecting higher surplus liquidity which was held primarily in Europe and the Americas.

Loans and advances to banks and customers

Loans to banks and customers fell by \$6.1 billion.

Loans to C&I and Commercial clients remain well diversified by geography and client segment. During 2014 we continued to reshape the portfolio, derisking and exiting low returning clients which contributed to the reduction in loan balances compared to 2014. This was primarily concentrated in the ASEAN region where lending fell \$6.1 billion, and across the 'Energy', 'Mining and Quarrying' and 'Transport, Telecoms and Utilities' sectors.

Retail client lending fell 2 per cent, with unsecured lending falling \$2 billion as we derisked the portfolio, primarily impacting Korea and Thailand. This was partly offset by an increase in secured Wealth products across the ASEAN region. Mortgages rose 1 per cent with property cooling measures across a number of markets impacting growth.

Loans to banks increased by 2 per cent with strong growth in the ASEAN region offset by lower balances in Europe as we repositioned liquidity across our footprint markets.

Investment securities

Investment securities rose by \$5 billion as we re-positioned our liquid assets, reducing holdings of Treasury Bills and increasing investments in highly rated corporate debt securities in line with the eligibility criteria for liquid asset buffers. The maturity profile of these assets is largely consistent with prior years, with just under 40 per cent of the book having a residual maturity of less than twelve months. Equity investments also reduced as we realised a number of Principal Finance investments.

Derivatives

Customer appetite for derivative transactions has reduced reflecting low levels of volatility in the market which has reduced client hedging needs. Notional values increased since the last year end reflecting a higher volume of short-dated transactions with Financial Institutions as a result of lower levels of volatility. Unrealised positive mark-to-market positions were \$4 billion higher at \$66 billion. Our 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, \$44 billion was available for offset due to master netting agreements.

Deposits

Customer accounts rose 6 per cent while deposits by banks rose 24 per cent, largely due to higher clearing balances. During the year, we focussed on building up the proportion of CASA customer deposits, and exiting or replacing higher cost Time Deposits across a number of markets. CASA continues to be core of the customer deposit base, constituting over 50 per cent of customer deposits.

Debt securities in issue, subordinated liabilities and other borrowed funds

We continued to see good demand for our name across debt instruments. Subordinated liabilities rose \$2.6 billion, as we replaced maturing debt. Debt securities in issue grew by \$9 billion, primarily in short-dated certificates of deposit.

Equity

Total shareholders' equity was \$0.1 billion lower at \$47 billion reflecting profit accretion for the year which was offset by dividend payments (net of scrip) of \$1.5 billion and the negative impact of foreign currency translation of \$1 billion.

Standard Chartered PLC – Risk review

The Risk and Capital Review is divided into the following four sections:

- **Risk overview** is an update on the key risk themes of the Group
- **Principal Uncertainties** sets out the key external factors that could impact the Group in the coming year
- **Risk Profile** provides an analysis of our risk exposures across all major risk types
- **Capital** provides an analysis of the Group's capital ratios and movements in capital requirements

Risk overview

In 2014, the Group continued to face external challenges such as slower economic growth in its core markets of China and India and a sustained fall in the prices of a number of commodities. These are, in effect, a continuation of themes from 2012 and 2013. The Group has been disciplined in its approach and in taking risk mitigation actions during this period in anticipation of a potential sustained downturn or dislocation in these markets.

The Group's loan impairment has increased by \$524 million, or 32 per cent, to \$2.1 billion. Over 40 per cent of the Group's loan impairment arises in the Retail Clients segment which has shown signs of stabilisation through 2014 and, whilst still elevated, is 5 per cent lower in the second half of the year. Korea loan impairment represents over 30 per cent of Retail loan impairment and is benefitting from management actions to tighten underwriting standards during 2013 and 2014, and was down \$47 million or 13 per cent.

The loan impairment charge in Corporate & Institutional Clients (C&I) and Commercial Clients (CC) segments increased by \$558 million to \$1.2 billion, compared to 2013. This represents 67 basis points (bps) (2013: 36 bps) of average customer loans and advances which are at an elevated level for 2014 in the context of a prolonged slow down in the Group's core markets of China, India and in Commodities. Of the \$1.2 billion of loan impairment, \$565 million relates to commodity clients which is predominantly due to a small number of commodity exposures that were already on our watch list since 2013 and have been negatively impacted by the further decline in commodity prices. Most of these clients are in mining sectors such as coal, copper, and iron ore which experienced a fall in prices in 2014. Of the remainder, \$76 million is related to the commodity fraud in China (part of the total of \$215 million including other impairment).

Net Non-performing loans (NPLs) are higher by \$585 million compared to 2013. This increase is primarily in the C&I and CC segments and is driven by a small number exposures in metals and mining sector.

Prices of certain commodities (notably coal, iron ore and oil) have dropped significantly in 2014. This has not highlighted any additional material vulnerability over and above that was identified through the Group's stress testing program in 2013. However, the risks heightened on the relatively small parts of our portfolio

that we had identified as vulnerable in previous stress tests and this has manifested itself in the increased loan impairment referred to above. The Group has continued to successfully take risk mitigation actions with respect to these vulnerabilities throughout 2014. Portfolio trends in the second half of 2014 were stable over the first half of 2014 (see portfolio indicators on page 34).

The Retail Clients segment is focused on secured lending and wealth management. The new customer acquisition for unsecured business is focused on Priority, High Value customer and Employee banking segments, and customers with low indebtedness. This is in line with the Group's strategic priorities and is expected to reduce loan impairment volatility going forward. The portfolio indicators on bankruptcy filings under the Korean government's Personal Debt Rehabilitation Scheme (PDRS) are stabilising and showing some improvement.

An overview of our C&I and CC segments are presented together as these segments have similar risk characteristics.

The C&I and CC section covers the following:

- Portfolio indicators
- Commodities
- Oil and gas and related exposures
- China
- India
- Europe

The Retail Clients section covers the following:

- Mortgage portfolio and rising interest rates
- Unsecured portfolio
- Korea PDRS

Standard Chartered PLC – Risk review continued

Corporate and Institutional Clients and Commercial Clients

Exposures to C&I and CC segment are presented in this Risk Overview 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. This represents a comprehensive view of credit risk exposures for C&I and CC segments. As at 31 December 2014, the net exposure for C&I and CC segments was \$572 billion (2013: \$525 billion), of which loans and advances to customers and banks was \$260 billion (2013: \$265 billion). The year on year increase in net exposure resulted principally from an increase in cash and balances at central banks to \$97 billion (2013: \$55 billion) and investment securities to \$129 billion (2013: \$124 billion).

	31.12.14	30.06.14	31.12.13	30.06.13
	\$billion	\$billion	\$billion	\$billion
Net exposure	572	547	525	510
Loans and advances to Customers and Banks	260	277	265	251

Geographic analysis presented in this section is based on country of credit responsibility. This differs from the financial booking location, in that all global exposures to a client group are reported in the primary country of the parent entity. This represents a more complete view of credit risk exposure to client groups from a particular country and is aligned to our credit risk management approach. This differs from the geographic analysis in the Risk Profile section (see page 40), in which loans and advances are reported based on the financial booking location.

Portfolio indicators

Throughout 2014 our C&I and CC portfolio remained diversified across industry sectors and geographies. There has been a slight increase in the proportion of C&I and CC exposures which are short-term to 65 per cent (2013: 64 per cent). The collateralisation level for Corporate and Non Bank Financial Institutions has increased by 2 per cent. The collateral in absolute terms for these segments has increased by 4 per cent.

We have a structured approach to portfolio analysis and stress testing to ensure we regularly take a view of likely economic downside risks which could manifest themselves in the next 12 to 18 months, and take proactive actions to limit potential vulnerabilities within our portfolio.

Although the C&I and CC impairments are at an elevated level, which is mainly related to a few accounts that have been on our watch list, the portfolio indicators have stabilised since H1 2014 with some portfolios showing an improving trend.

	31.12.14	30.06.14	31.12.13	30.06.13
	\$billion	\$billion	\$billion	\$billion
C&I and CC portfolio				
Per cent of net exposure to customers that is Investment grade	42%	40%	40%	38%
Per cent of L&A to Customers that is Investment grade	38%	38%	35%	39%
Early Alert (net exposure)	9.2	9.0	11.3	12.9
Credit Grade 12	4.7	5.3	2.0	1.7
Past Due but not impaired	2.2	3.4	3.8	1.4
Performing Other renegotiated/forborne loans	4.9	5.6	5.3	4.8
Gross NPLs	6.6	6.2	5.5	4.7

Commodities

The commodities credit exposure arises from the pursuit of our strategy in our core markets where commodities form a very significant proportion of the trade flows within and to our footprint countries. The commodities portfolio of \$54.9 billion represented 10 per cent of the C&I and CC net exposure. Of the \$54.9 billion net exposure, \$41 billion were loans and advances. We have been actively managing this portfolio in light of a sustained fall in the prices of a number of commodities reducing our net exposure to the commodities sector, primarily in the Commodity Producers credit portfolio, by \$6.9 billion, or 11 per cent, in 2014. The tenor profile of the portfolio remains short, with 74 per cent having a remaining maturity of less than one year, which provides us further flexibility to rebalance or reduce our exposure to clients or sectors that are particularly vulnerable.

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

	31.12.14	30.06.14	31.12.13	30.06.13
	\$billion	\$billion	\$billion	\$billion
Commodities Credit Portfolio				
Commodity Producers	24.3	28.1	30.1	30.4
Commodity Traders	30.6	32.6	31.7	27.3
Net exposure	54.9	60.7	61.8	57.7
Tenor <1 year	74%	76%	75%	75%

Overall the quality of the commodities portfolio remains good as 60 per cent of the exposures are attributable either to Investment Grade clients or to Global Majors or Large State Owned Enterprises (SOEs). A further 32 per cent are short term in nature and hence give us the flexibility to respond promptly to events and rebalance or reduce our exposure to clients or vulnerable sub-sectors where necessary. A further 4 per cent are tightly structured secured project and Corporate Finance exposures.

The Commodity Producers and Commodity Traders credit portfolios are further analysed below:

Commodity Producers credit portfolio: 63 per cent of the net exposure of \$24.3 billion was attributable to clients that were either rated investment grade or are Global Majors or Large SOEs. Of the remaining portfolio, 21 per cent is short term trade related and 9 per cent is tightly structured and secured project

Standard Chartered PLC – Risk review continued

and corporate finance exposure. The Group holds \$3.9 billion of collateral and third party guarantees against the exposures attributable to non Global Majors and non Large SOE clients.

Energy, primarily Oil and Gas, constitutes 54 per cent of the Commodity Producers credit portfolio (see Oil and Gas producers section). The exposure to metals that have had significant price falls is very small – Copper producers is 0.5 per cent and Iron ore is 0.3 per cent of C&I and CC net exposure respectively. 73 per cent of these exposures are to clients that are either investment grade rated or are low cost producers that are part of diversified groups.

Commodity Producers Credit Portfolio

	31.12.14	30.06.14	31.12.13	30.06.13
Net exposure (\$ billion)	24.3	28.1	30.1	30.4
Investment Grade / Global Majors / Large SOEs	63%	66%	61%	66%
Rest of the portfolio with Tenor < 1 year	21%	20%	24%	22%

Commodity Traders credit portfolio: 58 per cent of the net exposure of \$30.6 billion was attributable to clients that are either rated investment grade or are Global Majors or Large SOEs. 88 per cent of the net exposures are short term. 93 per cent of the exposures to sub investment grade non Global Majors/ non Large SOE clients are short term trade exposure liquidated by underlying transaction flows.

Commodity Traders Credit Portfolio

	31.12.14	30.06.14	31.12.13	30.06.13
Net exposures (\$ billion)	30.6	32.6	31.7	27.3
Investment Grade / Global Majors / Large SOEs	58%	58%	57%	53%
Rest of the portfolio with Tenor < 1 year	40%	39%	40%	43%

Owned inventory: In 2014 the Group incurred a write-down in the value of commodity assets of \$193 million (H1 2014: \$153 million) on account of a warehouse fraud in China. Of this, \$139 million was related to Structured Inventory Product (SIP) assets which were reported as Other Impairment. Under the SIP product, the Group provides financing to clients by purchasing commodities from them while agreeing to sell them back at a fixed price in future. The Group owns the commodities inventory and the price risk is hedged. In this portfolio of \$3.1 billion (H1 2014: \$3.9 billion), the Group takes neither credit risk on the client nor market risk on the price of commodities.

24 per cent of the owned inventory portfolio is stored in warehouses in China. The Group has now inspected all warehouses other than those that were locked down by the authorities in China in response to the fraud, and no new issues have emerged. In some cases we have transferred commodities to more secure warehouses. 74 per cent of the value of our SIP inventory is either in exchange controlled locations, such as London Metals Exchange warehouses, or in low risk jurisdictions like US, Western Europe, Singapore and Hong Kong.

Oil and Gas and related exposures

As at 31 December 2014 the Group's net exposure to Oil and Gas and related sectors was \$28.6 billion. This comprises of Oil and Gas Producers (45 per cent), Refineries (22 per cent), Supporting Activities (28 per cent) and other corporate clients with oil and gas related hedges (5 per cent).

Oil and Gas Producers: As at 31 December 2014 the Oil and Gas Producers exposure was \$12.9 billion (\$11.1 billion direct, \$1.8 billion to Traders whose parent Group is oil producer). 98 per cent of this (\$12.6 billion) was to clients with either a breakeven oil price below \$50 per barrel or to 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: As at 31 December 2014, the net exposure to Petroleum Refineries was \$6.4 billion. The profitability of refiners is driven by gross refining margins and is not directly related to the crude oil prices. The gross refining margins have held steady despite the fall in crude oil prices.

Support Activities: As at 31 December 2014, the Support Activities portfolio consisted of \$4.2 billion in shipping finance (including operating leases) and \$3.7 billion relates to oilfield equipment manufacturers and other service providers.

The Shipping Finance portfolio consisted of Tankers (\$1.6 billion), Offshore Support Vessels (\$0.7 billion), Rigs and Drill Ships (\$1.2 billion) and Floating Production Storage and Offloading (\$0.7 billion). The net exposures to these sub-sectors are either to investment grade clients or backed by strong balance sheet or corporate guarantees. The exposures have high levels of collateralisation in the form of new/young vessels. 70 per cent of the exposures to oil field equipment manufacturers and service providers are investment grade.

Corporate clients with oil related hedges: The Group's counterparty credit risk exposure to corporate clients with oil related hedges has increased to \$1.5 billion from \$0.4 billion as oil prices have dropped over the last six months. Approximately 70 per cent of that increase is accounted for by six investment grade clients. 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).

China

The Group's total net exposure to China is \$71 billion, down 10 per cent from 2013, of which \$24 billion is financially booked in China and \$47 billion in other locations. Of the total net exposure of \$71 billion, \$50 billion is loans and advances to customer and banks. 56 per cent of the total net exposure is attributable to Financial Institutions and 14 per cent is to the Central Government.

China's economic growth continued to slow down in response to the structural rebalancing of the economy towards consumption driven growth. The Group's growth in China over the last five years has focused on Financial Institutions as a result of the internationalisation of Renminbi. This has driven the growth in interbank placements and trade exposures (approximately 65 per cent of the exposure). The portfolio is short dated with 84 per cent having tenor of less than one year.

Standard Chartered PLC – Risk review continued

98 per cent of the Financial Institutions exposure is investment grade while 71 per cent is to the top five Chinese banks. The Group has internal caps on its exposure to Chinese banks and keeps the portfolio tenor short dated (80 per cent exposure to banks has a tenor of less than six months) and highly rated.

The corporate portfolio in China represented 34 per cent of total net exposure as at 31 December 2014 and has shown a modest deterioration in the weighted average credit grade of the portfolio given the slowdown in the economy. This deterioration was driven by credit migration of only 1.5 per cent of the corporate portfolio to the lowest performing credit grade (Grade 12), which is spread across 16 clients and 10 industries.

The following section presents details of the China Commodity portfolio for which the Group has been proactive in managing its exposures. We reduced exposures for the clients that are sub investment grade and are non Global Majors or non Large SOEs. Further, we have performed stress tests on our Commercial Real Estate portfolio and Non-SOEs portfolio and initiated actions to exit some clients in the process.

China commodities credit portfolio

Commodity exposures in China continue to be actively managed in response to slowdown in China and sustained fall in commodity prices. Our portfolio management actions were focused on the metals and mining sector where 23 client relationships have been exited and the net exposure reduced to \$1.7 billion in last 12 months (\$2.5 billion in 2013).

China Commodities Credit Portfolio	31.12.14	30.06.14	31.12.13	30.06.13
	\$billion	\$billion	\$billion	\$billion
Commodity Producers	4.1	5.1	4.9	6.0
Commodity Traders	5.3	6.6	6.1	4.8
Net exposure	9.4	11.7	11.0	10.8
Tenor <1 year	94%	96%	89%	93%

China Commodity Producers credit portfolio: 79 per cent of the net exposure of \$4.1 billion was attributable to clients that were either rated investment grade or were Global Majors or Large SOEs. 97 per cent of the remainder had a tenor less than one year, with the balance being accounted for by tightly structured secured project and corporate finance exposures.

China Commodity Producers Portfolio	31.12.14	30.06.14	31.12.13	30.06.13
Net exposure (\$billion)	4.1	5.1	4.9	6.0
Investment Grade / Global Majors / Large SOEs	79%	70%	66%	68%
Rest of the portfolio with Tenor < 1 year	20%	28%	28%	26%

China Commodity Traders credit portfolio: 43 per cent of the net exposure of \$5.3 billion was to clients that are either investment grade or to Global Majors and to Large SOEs. 93 per cent of the remainder had a tenor of less than one year. This sub investment portfolio is collateralized with cash \$1.3 billion and third party guarantees \$0.5 billion.

China Commodity Traders Credit Portfolio

	31.12.14	30.06.14	31.12.13	30.06.13
Net exposure (\$ billion)	5.3	6.6	6.1	4.8
Investment Grade / Global Majors / Large SOEs	43%	51%	49%	41%
Rest of the portfolio with Tenor < 1 year	53%	48%	48%	55%

India

India has faced a slowdown in economic growth since 2012, relative to the higher rates of previous years, combined with high indebtedness in some corporate sectors and tighter market liquidity conditions. We have been actively managing our India C&I and CC portfolio and exposures have reduced significantly since 2012. C&I and CC exposure reduced by a further 17 per cent to \$35 billion over the course of 2014 (2013: \$42 billion).

Since the general elections in April and May 2014, the economic outlook in India has been more positive as reflected by buoyant stock markets, an improving investment climate and increased demand for capital markets issuances. The drop in oil prices is also expected to provide a stimulus to the broader economy. However, the positive sentiment post the elections may take time to be reflected in client financials. Although we see no indication of further credit deterioration in our C&I and CC portfolios, we continue to closely monitor and reduce our exposure to weaker clients.

Europe

We have no direct sovereign exposure (as defined by the European Banking Authority (EBA)) to Greece, Ireland, Italy, Portugal or Spain. Our net exposure in these countries was less than \$1.2 billion as at 31 December 2014 and was primarily to banks and related to trade finance and financial markets transactions. Our total net exposure to Greece was \$6 million and we continue to monitor and respond to the recent developments around the potential Greek exit from the eurozone. Additionally we estimate minimal direct impact of the quantitative easing in the eurozone.

The direct exposures to Russian corporate clients are small, and are fully covered by export credit agency guarantees. Trading exposures denominated in Russian roubles are with major banks and are collateralised with USD cash.

The appreciation of the Swiss franc in January 2015 did not have a significant effect on the Group's clients. There were no instances of failed margin calls or failed trades.

Retail Clients

The Retail Clients loans and advances portfolio remains diversified by geography and product. The portfolio composition remains unchanged over the year with mortgages accounting for 64 per cent (2013: 63 per cent) of the Retail portfolio. 64 per cent of the portfolio has tenor greater than five years on account of mortgages. 80 per cent (2013: 78 per cent) of Retail loans are fully secured and the overall loan to value ratio on our mortgage portfolio is 49 per cent (2013: 50 per cent).

Retail Clients loan impairment is stable at 94bps of average loans and advances (2013: 95bps) in spite of continued high levels of bankruptcy filings under the government's PDRS in Korea. The portfolio indicators such as 30 days and 90 days past due flow rates are broadly stable.

Mortgage portfolio and rising interest rates in key markets

The Retail Clients mortgage portfolio is well positioned in case of a fall in house prices or an increase in interest rates. In assessing prospective borrowers' ability to service debts, we assume stress interest rates well above prevailing rates. The average LTV ratio of the mortgage portfolio was less than 50 per cent with only 5 per cent of the portfolio having an LTV greater than 80 per cent. The value of exposures with an LTV greater than 100 per cent is minimal, and relates mainly to old vintages in the UAE. Majority of the residential mortgage portfolio is for owner occupation. We have stress tested our portfolio for a drop in property prices ranging from 15 per cent (such as Korea where prices have come off its peaks) to 30 per cent (Singapore, Hong Kong) and for a significant increase in interest rates in our key markets. The portfolio continues to remain resilient to these stress scenarios.

Unsecured portfolio

We are managing the Retail Clients Unsecured Portfolio against the backdrop of changes in regulatory environment in key markets and in order to manage overall customer indebtedness. Overall portfolio growth slowed in 2014 as a result of de-risking actions taken across many markets including Korea.

The portfolio performance indicators are continuously monitored with losses remaining stable.

The unsecured strategy is guided by a new decision framework to enable the new originations towards the Priority, High value customers, Employee banking segments, and customers with lower indebtedness.

The factors which underpin our confidence about the Retail unsecured portfolio are:

- The Credit Card and Personal Loan portfolio is profitable on a standalone basis and is diversified across markets
- Our new strategic focus on high value client segments and deepening client relationships
- The implementation of the unsecured risk decision framework which aims to:
 - shape the business to deliver optimum risk-adjusted returns with a controlled level of volatility
 - enhance the resilience and sustainability of the portfolio in slowdown scenarios
 - leverage bureau data for enhanced credit decisioning and management with 94 per cent bureau coverage across our unsecured markets

Korea Personal Debt Rehabilitation Scheme

Korea has been the biggest source of the Group's elevated Retail Client impairment in the last two years. Although the levels of PDRS applications remain high, the actions taken to tighten underwriting standards since the beginning of 2014, have resulted in considerably lower match rates of our portfolio with PDRS filings. During the last six months, after adjusting for seasonally expected reductions, there has been an improvement in the Group's PDRS related impairment. The portfolio indicators are improving.

Standard Chartered PLC – Risk review continued

Principal uncertainties

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

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

Risk	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 funding for our business	<p>We balance risk and return, taking account of changing conditions through the economic cycle</p> <p>We monitor economic trends in our markets very closely and continuously review the suitability of our risk policies and controls</p>
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	<p>We review key regulatory developments in order to anticipate changes and their potential impact on our performance</p> <p>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</p>
Regulatory compliance	<p>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</p> <p>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 in Note 23 on page 93</p>	<p>We have established a Board-level Financial Crime Risk Committee and, since 2013 we have a Financial Crime Risk Mitigation Programme, which is a comprehensive, multi-year programme designed to review and enhance many aspects of our existing approach to money laundering prevention and to combating terrorism finance and the approach to sanctions compliance and the prevention of bribery and corruption</p> <p>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</p> <p>We are cooperating with all relevant ongoing reviews, requests for information and investigations</p> <p>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.</p>

Standard Chartered PLC – Risk review continued

Risk	Description	Mitigants
Financial markets dislocation	<p>Financial markets volatility or a sudden dislocation could affect our performance, through its impact on the mark-to-market valuations of assets in our available-for-sale and trading portfolios or the availability of capital or liquidity</p> <p>Financial markets instability also increases the likelihood of default by our corporate customers and financial institution counterparties</p>	<p>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 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</p> <p>We assess carefully the performance of our financial institution counterparties, rate them internally according to their systemic importance and adjust our exposure accordingly</p> <p>We maintain robust processes to assess the suitability and appropriateness of products and services we provide to our clients and customers</p>
Geo-political events	<p>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</p>	<p>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</p>
Risk of fraud and other criminal acts	<p>The banking industry has long been a target for third parties seeking to defraud, to disrupt legitimate economic activity, or to facilitate other illegal activities. The risk posed by such criminal activity is growing as criminals become more sophisticated and as they take advantage of the increasing use of technology and the internet. The incidence of cyber crime is rising, becoming more globally co-ordinated, and is a challenge for all organisations</p>	<p>We seek to be vigilant to the risk of internal and external crime in our management of people, processes, systems and in our dealings with customers and other stakeholders</p> <p>We have a broad range of measures in place to monitor and mitigate this risk. Controls are embedded in our policies and procedures across a wide range of the Group's activities, such as origination, recruitment, physical and information security</p> <p>We have a broad set of techniques, tools and activities to detect and respond to cyber crime, in its many forms. We actively collaborate with our peers, regulators and other expert bodies as part of our response to this risk</p>
Exchange rate movements	<p>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</p> <p>Sharp currency movements can also impact trade flows and the wealth of clients, both of which could have an impact on our performance</p>	<p>We actively monitor exchange rate movements and adjust our exposure accordingly</p> <p>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</p>

Risk profile

The balance sheet and income statement information presented within the “Risk Profile” is based on the 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 to the “Financial Review” which is based on its customer location. The “Client segment by geographic region” table on page 41 provides a split of loans and advances to customers and banks by both booking and customer location.

Credit portfolio

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

- o 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 41-43)
- o Credit risk mitigation, which provides analysis of collateral held by client segment and collateral type, and details of loan to value ratios and other forms of credit risk mitigation (pages 44-46)
- o Credit quality, which provides an analysis of the loan portfolio by credit grade (pages 48-49)
- o Problem credit management and provisioning, which provides an analysis of non-performing loans and impaired loans (pages 50-52)

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.

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 our disciplined approach to risk management.

Restatement of prior year

In January 2014, Group announced a change to its organisation structure effective 1 April 2014. To aid historic comparisons the Group’s results restate segmental information for 31 December 2013 under the new client segments and global products groups, and the geographic regions. During the year, industry classifications for Corporate and Institutional Clients segment and Commercial Clients segment were aligned to internal classification resulting in a re-presentation for 2013. In addition, all the geographic disclosures from pages 41 to 43 are presented on a booking location basis. Certain geographic balances in 2013, which were presented on a customer location have been re-presented accordingly.

Loan portfolio

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

The loan portfolio summarised by segment and by credit quality (neither past due nor impaired; past due; and impaired) on pages 48 and 49. 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 (C&I) and Commercial Clients (CC) exposures are typically managed on an individual basis and consequently credit grade migration is a key component of credit risk management. In Retail, where loans are typically managed on a portfolio basis, delinquency trends are monitored consistently as part of risk management. In both businesses, credit risk is mitigated to some degree through collateral, further details of which are set out on page 44.

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.

Client segment by geographic region analysis

Loans and advances to customers (net of individual impairment and portfolio impairment provisions) decreased by \$7.4 billion since December 2013. This reduction was primarily within the CC segment (\$3.2 billion) and the C&I segment (\$2.9 billion) as a result of portfolio management actions in key markets and sectors experiencing a prolonged slow down. The growth in this period was largely in financing, insurance and business services.

The growth in loans to banks of \$1.3 billion since December 2013 was primarily across ASEAN (\$5.6 billion) and Greater China (\$0.8 billion) offset by a reduction in Europe of \$3.8 billion. This is mostly due to 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.

The Private Banking Client segment grew by \$0.9 billion from December 2013 primarily through its operations in Singapore and Hong Kong.

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

Overall the regional split of our loans and advances to customers is very similar to 2013 and our loan portfolio remains well diversified across our footprint countries, with our largest single country representing 22 per cent of loans and advances to customers and banks.

Standard Chartered PLC – Risk review continued

Loan Portfolio continued

Client segment by geographic region

	2014								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Corporate and Institutional	37,253	7,882	8,093	37,419	12,136	5,894	10,964	38,657	158,298
Commercial	5,395	3,176	2,036	2,234	1,106	669	-	74	14,690
Private banking	3,494	-	167	9,732	274	-	-	4,391	18,058
Retail	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-segmental balance	2,194	(34)	8,347	2,137	4,468	4,742	(3)	(21,851)	-
Total loans and advances to customers^{1,3}	89,646	29,582	22,859	78,541	22,775	13,103	10,952	21,141	288,599
Total loans and advances to banks^{1,2}	28,758	5,997	488	12,388	1,603	940	12,661	24,665	87,500

	2013								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Corporate and Institutional	37,428	7,297	7,394	41,649	12,192	5,658	10,681	38,894	161,193
Commercial	6,406	3,109	2,340	3,249	1,274	672	-	791	17,841
Private banking	3,003	33	131	9,020	250	-	-	4,723	17,160
Retail	40,936	20,283	4,295	28,337	4,708	1,696	-	262	100,517
	87,773	30,722	14,160	82,255	18,424	8,026	10,681	44,670	296,711
Portfolio impairment provision	(146)	(107)	(53)	(152)	(85)	(68)	(6)	(79)	(696)
Total loans and advances to customers^{1,2}	87,627	30,615	14,107	82,103	18,339	7,958	10,675	44,591	296,015
Intra-segmental balance	2,219	3	11,501	749	5,196	5,164	(246)	(24,586)	-
Total loans and advances to customers^{1,3}	89,846	30,618	25,608	82,852	23,535	13,122	10,429	20,005	296,015
Total loans and advances to banks^{1,2}	27,905	6,561	575	6,776	2,097	742	13,067	28,446	86,169

¹ Amounts net of individual impairment provision and include financial instruments held at fair value through profit or loss (see note 12 on page 80)

² The disclosures in the risk profile section are presented on the basis of booking location and not customer location

³ These balances are based on the location of the customer

Standard Chartered PLC – Risk review continued

Industry and Retail products analysis by geographic region

In the Corporate and Institutional Clients and Commercial Clients portfolio, our largest industry exposure remained Energy, which constitutes 16 per cent of corporate loans and advances (2013: 17 per cent). The Energy industry lending is spread across five sub-sectors and over 380 client groups, and 55 per cent mature within one year.

The Manufacturing sector makes up 15 per cent of the Corporate and Institutional and Commercial Clients loans and advances (2013: 16 per cent). The Manufacturing industry group is spread across a diverse range of industries, including Automobiles & Components, Capital goods, Pharmaceuticals Biotech & life sciences, Technology hardware & equipments, Chemicals, paper products and packaging, with lending spread over 4,390 clients.

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

The Group provides loans to commercial real estate (CRE) counterparties of \$16.1 billion (2013: \$16.9) billion, which represents less than 6 per cent of total customer loans and advances and less than 3 per cent of assets. Loans greater than 5 years are less than 10 per cent of the CRE portfolio.

\$6.8 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 unsecured portion of the Retail products portfolio has reduced from 21 to 19 per cent of the Retail loans and advances and is spread across multiple products in over 30 markets. There has otherwise been no significant change in the shape of our retail products portfolio. The decrease in North East Asia and ASEAN unsecured lending was a result of de-risking portfolio management actions taken in Korea.

Industry and Retail products analysis by geographic region

	2014								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Industry:									
Energy	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 & 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 customers¹	87,452	29,616	14,512	76,404	18,307	8,361	10,955	42,992	288,599
Total loans and advances to banks¹	28,758	5,997	488	12,388	1,603	940	12,661	24,665	87,500

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

Standard Chartered PLC – Risk review continued

Industry and Retail product analysis by geographic region continued

	2013								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Industry¹:									
Energy	1,999	356	160	10,491	1,496	345	3,434	12,260	30,541
Manufacturing	9,975	3,314	2,311	4,355	1,775	1,278	1,387	3,683	28,078
Financing, insurance and non-banking	5,087	402	152	2,136	1,543	344	1,966	3,942	15,572
Transport, telecom and utilities	3,814	1,199	912	4,751	1,123	475	880	7,152	20,306
Food and household products	3,243	302	808	8,538	1,109	1,608	1,386	1,553	18,547
Commercial real estate	6,743	2,097	1,426	3,954	1,302	89	-	1,318	16,929
Mining and Quarrying	3,712	720	835	2,738	500	945	762	5,758	15,970
Consumer durables	5,344	637	1,432	1,338	1,358	230	529	2,137	13,005
Construction	1,198	478	955	864	1,803	178	20	777	6,273
Trading Companies & Distributors	1,167	354	321	2,739	706	419	124	109	5,939
Government	141	-	7	1,483	215	11	48	115	2,020
Other	1,411	547	415	1,511	536	408	145	881	5,854
Retail Products:									
Mortgages	32,940	12,821	2,298	21,636	1,753	293	-	1,355	73,096
CCPL and other unsecured lending	7,672	5,586	1,161	5,617	2,102	1,399	-	271	23,808
Auto	-	1	44	914	321	4	-	-	1,284
Secured Wealth Products	2,821	105	63	7,721	603	-	-	1,532	12,850
Other	506	1,803	860	1,469	179	-	-	1,822	6,639
	87,773	30,722	14,160	82,255	18,424	8,026	10,681	44,670	296,711
Portfolio impairment provision	(146)	(107)	(53)	(152)	(85)	(68)	(6)	(79)	(696)
Total loans and advances to customers²	87,627	30,615	14,107	82,103	18,339	7,958	10,675	44,591	296,015
Total loans and advances to banks¹	27,905	6,561	575	6,776	2,097	742	13,067	28,446	86,169

¹ During 2014, industry classifications for Corporate and Institutional and Commercial clients segments have been aligned to internal classifications, resulting in a re-presentation of industry classifications for 2013

² The disclosures in the risk profile section are 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 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.

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 has increased by 4 per cent since 2013.

The collateral values in the below table are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. Exposures for 53 per cent of clients that have placed collateral with the Group are over-collateralised. The average amount of over collateralisation is 42 per cent.

The unadjusted market value of collateral in respect of Corporate and Institutional and Commercial Clients without adjusting for over-collateralisation, was \$212 billion (2013: \$190 billion).

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

The decrease of commodities from 6 per cent to 3 per cent of collateral balances is a direct result of our overall reduction in commodity-related exposure. The increase of reverse repo and securities collateral from 27 per cent to 36 per cent represents an increase in the deployment of liquidity by ALM to Corporate & Institutional Clients and Commercial Clients.

The average loan to value (LTV) ratio of the commercial real estate portfolio has remained relatively stable at 39.9 per cent, compared with 41.1 per cent in 2013. The proportion of loans with an LTV greater than 80 per cent has remained below 1 per cent during the same period.

In the Retail and Private Banking Client segments, a secured loan is one where the borrower pledges an asset as collateral which the Group is able to take possession in the event that the borrower defaults.

The collateral levels for Retail have remained stable compared to 2013.

For Retail, 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. 19 per cent of the Group's retail product exposures are unsecured, compared to 21 per cent in 2013.

See details on page 45, which presents a detailed analysis of loans to individuals by product, split between fully secured, partially secured and unsecured.

For 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 2013. Our major mortgage markets of Hong Kong, Korea and Taiwan have an average LTV of less than 50 per cent. Compared with December 2013, the proportion of the portfolio with LTVs in excess of 100 per cent, primarily within the MENAP region, has declined from 6.3 per cent to 4.1 per cent due to improving economic conditions, particularly in the UAE.

See details on page 46, which presents an analysis of loan to value ratios by geography for the mortgage portfolio.

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

	Collateral			Amount Outstanding ¹		
	Total	Of which		Total	Of which	
		Past due but not individually impaired loans	Individually impaired loans		Past due but not individually impaired loans	Individually impaired loans
	\$million	\$million	\$million	\$million	\$million	\$million
As at 31 December 2014						
Corporate & Institutional²	64,343	228	837	245,800	1,847	6,094
Commercial	6,034	927	253	14,690	454	1,068
Private Banking	12,905	220	40	18,058	140	91
Retail	76,194	2,053	360	98,249	2,928	846
Total	159,476	3,428	1,490	376,797	5,369	8,099
As at 31 December 2013						
Corporate & Institutional²	61,484	623	642	247,364	3,331	5,018
Commercial	6,422	454	156	17,841	519	963
Private Banking	13,435	149	65	17,160	85	93
Retail	71,585	2,305	396	100,517	3,360	898
Total	152,926	3,531	1,259	382,882	7,295	6,972

¹ Includes loans held at fair value through profit or loss

² Includes loans and advances to banks

Standard Chartered PLC – Risk review continued

Corporate and Institutional and Commercial Clients

Collateral held against Corporate and Institutional and Commercial Client exposures amounted to \$70 billion (2013: \$68 billion).

Our underwriting standards encourage taking specific charges on assets and we consistently seek high quality, investment grade secured collateral. 46 per cent of collateral held is comprised of physical assets or is property based, with the remainder held largely in cash and investment securities.

Non-tangible collateral – such as guarantees and letters of credit – may also be held against corporate exposures although the financial effect of this type of collateral is less significant in terms

of recoveries. However this type of collateral is considered when determining probability of default and other credit related factors.

Collateral taken for longer term and non-investment grade loans continues to be high at 59 per cent (63 per cent in 2013). Collateral is also held against off-balance sheet exposures including undrawn commitments and trade related instruments.

The proportion of highly rated securities of 24 per cent on collateral increased from 14 per cent compared to December 2013 due to higher levels of reverse repurchase transactions.

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

	2014 \$million	2013 \$million
Property	16,438	18,490
Plant, machinery and other stock	5,498	6,059
Cash	12,594	13,444
Reverse repo & Securities	25,641	18,353
AAA	4	45
AA- to AA+	17,188	9,651
BBB- to BBB+	3,062	2,758
Lower than BBB-	997	865
Unrated	4,390	5,034
Commodities	2,426	4,038
Ships and aircraft	7,780	7,522
Total value of collateral	70,377	67,906

Commercial real estate (CRE)

The Group has lending to CRE counterparties of \$16.1 billion (2013: \$16.9 billion). Of this, \$6.8 billion 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 lending comprises working capital loans to real estate corporates, loan with non-property collateral, unsecured loans and loans to real estate entities of diversified conglomerates.

Retail and Private Banking Clients loan portfolio

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

	2014				2013			
	Fully secured \$million	Partially secured \$million	Unsecured \$million	Total ¹ \$million	Fully secured \$million	Partially secured \$million	Unsecured \$million	Total ¹ \$million
Loans to individuals								
Mortgages	73,907	-	-	73,907	73,096	-	-	73,096
Credit card and personal loans	4	-	20,485	20,489	5	-	23,803	23,808
Auto	1,016	-	-	1,016	1,284	-	-	1,284
Secured wealth products	15,255	-	-	15,255	12,850	-	-	12,850
Other	2,783	1,494	1,363	5,640	4,729	1,462	448	6,639
	92,965	1,494	21,848	116,307	91,964	1,462	24,251	117,677
Percentage of total loans	80%	1%	19%		78%	1%	21%	

¹ Amounts net of individual impairment provisions

Standard Chartered PLC – Risk review continued

Credit risk mitigation continued

Mortgage loan-to-value ratios by geographic region

The following table provides an analysis of loan to value (LTV) ratios by geography for the mortgages portfolio.

	2014								
	Greater China %	North East Asia %	South Asia %	ASEAN %	MENAP %	Africa %	Americas %	Europe %	Total %
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

	2013								
	Greater China %	North East Asia %	South Asia %	ASEAN %	MENAP %	Africa %	Americas %	Europe %	Total %
Average Portfolio loan to value	45.6	49.3	40.5	56.0	62.1	64.3	-	57.8	49.9
Loans to individuals - Mortgages (\$million)	32,940	12,821	2,298	21,636	1,753	293	-	1,355	73,096

Credit quality analysis

An overall breakdown of the loan portfolio by client segment is set out on pages 48 and 49, differentiating between the performing and non performing book.

Within the performing book, there is an analysis:

- By credit grade, which plays a central role in the quality assessment and monitoring of risk in pages 48 and 49
- Of loans and advances past due but not impaired: a loan is considered past due if payment of principal or interest has not been made on its contractual due date
- Of loans and advances where an impairment provision has been raised – these represent certain forbore accounts which have complied with their revised contractual terms for more than 180 days and on which no loss of principal is expected

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

Credit grade migration

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

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

Credit grade migration trends have also been stable across most countries, although there has been some deterioration in India and China, related to the slower economic growth in those countries (see details on pages 35- 36). The increase in CG12 balances in 2014 is principally due to the downgrade of a small number of connected exposures. Excluding this, the credit grade 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 Credit Grade 1 to 5.

Retail Clients credit quality composition remained stable over last year. The increase in Credit Grade 1 to 5 was mainly due a rerating of the mortgage portfolio in Hong Kong.

Performing loans and advances "past due but not impaired" are \$1.9 billion lower than 2013, with decreases across all categories. The past due balances arise substantially in the "up to 30 days past due" category. In the Retail client segment, these primarily relate to loans where there is a temporary timing difference in payments. In the Corporate & Institutional and Commercial Client segments, across all past due categories approximately 74 per cent of the amounts past due were regularised by 31 January 2015.

Non performing loans

Non-performing loans (net of individual impairment provisions) are higher by \$585 million. This increase is primarily in the Corporate & Institutional Clients and Commercial Clients segments and is driven by a small number of large exposures financially booked in Europe, Greater China and ASEAN. Details and further analysis of gross and net non-performing loans by client segment and by geography are provided on pages 50 and 51.

A non-performing loan is any loan that is more than 90 days past due or is otherwise individually impaired. This excludes loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected. These loans may have a provision reflecting the time value of money and if so, are reported as part of forbore loans. Renegotiated and forbore loans included in these amounts are consistent with the level seen as at 31 December 2013.

Other renegotiated and forbore loans are relatively stable since 2013.

Loan impairment

The total loan impairment losses and other credit risk provisions on loans and advances charge for 2014 has increased by \$524 million, or 32 per cent, to \$2.1 billion compared to 2013. This represents 72 basis points of average customer loans and advances.

In Corporate and Institutional Clients and Commercial Clients, total loan impairment provisions on balance sheet have increased by \$415 million, or 18 per cent, compared to 31 December 2013. The provisions were due to a small number of exposures in Europe, ASEAN and Greater China. Loan impairment for Corporate and Institutional and Commercial Clients represents 67 basis points of average customer loans and advances.

In Retail Clients, total individual impairment provisions were marginally lower than 2013. Impairments from Korea Personal Debt Rehabilitation Scheme (PDRS) filings remain broadly stable and there were modest improvements in some other markets. Portfolio impairment provisions also reduced as we reduced high risk personal loans exposure. We remain disciplined in our approach to risk management and proactive in our collection efforts to minimise account delinquencies.

Other impairment, excluding goodwill impairment, has increased by \$274 million to \$403 million reflecting the write-down of commodity assets arising from a fraud in Greater China and certain strategic and associate investments.

Portfolio impairment provision

A Portfolio Impairment Provision (PIP) is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. PIP balances have remained the same in 2014. The increase in PIP balances in the Corporate & Institutional and Commercial Client segments is offset by the decrease in the PIP balance of for the Retail Client segment reflecting the impact of de-risking and classification of assets as held for sale.

Cover ratio

The cover ratio measures the proportion of total impairment provisions to gross non-performing loans, and is a metric commonly used in considering impairment trends. This metric does not allow for variations in the composition of non-performing loans 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 increased to 91 per cent (2013: 86 per cent). The cover ratio before collateral for Corporate and Institutional Clients was lower at 46 per cent compared to 2013. The Commercial Clients and Private Banking segment cover ratios before collateral also increased to 51 per cent and 67 per cent respectively since 2013.

The balance of non-performing loans not covered by individual impairment provisions represents the adjusted value of collateral held and the Group's estimate of the net outcome of any workout or recovery strategy. The cover ratio after taking into account collateral but excluding portfolio impairment provisions for Corporate and Institutional Clients is 55 per cent (2013: 56 per cent) and for Commercial Clients is 71 per cent (2013: 59 per cent).

As highlighted on page 44, collateral provides risk mitigation to some degree in all client segments and better supports the credit quality and cover ratio assessments post impairment provisions. Details are provided on page 50.

Standard Chartered PLC – Risk review continued

Credit quality analysis continued By Client segment

2014						
	Loans to banks \$million	Loans to Customers				Total \$million
		Corporate and Institutional \$million	Commercial \$million	Private Banking \$million	Retail Clients \$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
<i>of the above, renegotiated loans</i>	-	4,277	17	-	262	4,556
Past due but not impaired						
- Up to 30 days past due	40	1,467	344	139	2,187	4,137
- 31 - 60 days past due	-	183	60	1	400	644
- 61 - 90 days past due	3	154	23	-	179	356
	43	1,804	427	140	2,766	5,137
<i>of the above, renegotiated loans</i>	-	106	10	-	61	177
Impaired forborne loans, net of provisions	-	479	-	-	153	632
Total performing loans	87,399	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
<i>of the above, forborne loans</i>	-	1,072	48	-	225	1,345
Total non-performing loans, net of individual impairment	103	3,177	572	32	397	4,178
Total loans and advances	87,502	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

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

Standard Chartered PLC – Risk review continued

Credit quality analysis continued

2013						
	Loans to Customers					Total
	Loans to banks	Corporate and Institutional	Commercial	Private Banking	Retail Clients	
	\$million	\$million	\$million	\$million	\$million	\$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	73,862	61,425	1,326	3,709	54,141	120,601
- Grades 6-8	10,325	66,195	6,812	13,169	24,988	111,164
- Grades 9-11	1,825	25,614	8,348	87	15,236	49,285
- Grade 12	35	1,661	295	69	2,342	4,367
	86,047	154,895	16,781	17,034	96,707	285,417
<i>of the above, renegotiated loans</i>	-	4,208	26	-	388	4,622
Past due but not impaired						
- Up to 30 days past due	17	2,463	422	42	2,548	5,475
- 31 - 60 days past due	-	272	59	38	418	787
- 61 - 90 days past due	-	579	33	4	202	818
	17	3,314	514	84	3,168	7,080
<i>of the above, renegotiated loans</i>	-	583	-	-	-	583
Impaired forborne loans, net of provisions	-	474	1	-	150	625
Total performing loans	86,064	158,683	17,296	17,118	100,025	293,122
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	-	-	115	115
- 121 - 150 days past due	-	-	5	1	77	83
	-	-	5	1	192	198
Individually impaired loans, net of provisions	107	2,510	540	41	300	3,391
<i>of the above, forborne loans</i>	-	801	61	-	461	1,323
Total non-performing loans, net of individual impairment	107	2,510	545	42	492	3,589
Total loans and advances	86,171	161,193	17,841	17,160	100,517	296,711
Portfolio impairment provision	(2)	(287)	(39)	(1)	(369)	(696)
Total net loans and advances	86,169	160,906	17,802	17,159	100,148	296,015

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

Neither past due nor impaired						
- Grades 1-5	2,271	1,026	-	-	-	1,026
- Grades 6-8	196	3,321	-	-	-	3,321
- Grades 9-11	-	211	-	-	-	211
- Grade 12	-	25	-	-	-	25
	2,467	4,583	-	-	-	4,583
Past due but not impaired						
- Up to 30 days past due	-	405	-	-	-	405
Individually impaired loans						
	-	319	-	-	-	319

Standard Chartered PLC – Risk review continued

Problem credit management and provisioning

Non-performing loans by client segment

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

	2014				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
	\$million	\$million	\$million	\$million	\$million
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 (PIP)	(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 excl. PIP)	55%	71%	nm ²	95%	62%

	2013				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
	\$million	\$million	\$million	\$million	\$million
Gross non-performing loans at 31 December	4,541	959	94	885	6,479
Individual impairment provisions ¹	(1,924)	(414)	(52)	(393)	(2,783)
Net non-performing loans	2,617	545	42	492	3,696
Portfolio impairment provision (PIP)	(289)	(39)	(1)	(369)	(698)
Total	2,328	506	41	123	2,998
Cover ratio	49%	47%	56%	86%	54%
Collateral (\$million)	614	156	65	396	1,231
Cover ratio (after collateral excl. PIP)	56%	59%	nm ²	89%	62%

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

² not meaningful

Non-performing loans by geographic region

Gross non-performing loans increased by \$1,013 million, or 16 per cent, since 2013. These increases were primarily driven by a small number of large exposures in Europe, ASEAN and Greater China.

The following tables set out the total non-performing loans to banks and customers on the basis of the geographic regions:

	31.12.2014								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Loans and advances									
Gross non-performing ¹	668	448	1,159	1,396	1,643	478	37	1,663	7,492
Individual impairment provision ²	(321)	(288)	(450)	(519)	(936)	(115)	-	(582)	(3,211)
Net non-performing loans	347	160	709	877	707	363	37	1,081	4,281
Portfolio impairment provision	(98)	(75)	(56)	(202)	(79)	(47)	(9)	(132)	(698)
Total	249	85	653	675	628	316	28	949	3,583
Cover ratio	63%	81%	44%	52%	62%	34%	24%	43%	52%

Standard Chartered PLC – Risk review continued

Problem credit management and provisioning continued

Non-performing loans by geographic region continued

	30.06.2014								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Loans and advances									
Gross non-performing ¹	515	644	1,131	1,230	1,733	471	1	1,460	7,185
Individual impairment provision ²	(244)	(353)	(397)	(481)	(1,113)	(90)	(1)	(377)	(3,056)
Net non-performing loans	271	291	734	749	620	381	-	1,083	4,129
Portfolio impairment provision	(142)	(105)	(65)	(174)	(70)	(65)	(6)	(107)	(734)
Total	129	186	669	575	550	316	(6)	976	3,395
Cover ratio	75%	71%	41%	53%	68%	33%	nm ³	33%	53%

	31.12.2013								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Loans and advances									
Gross non-performing ¹	460	574	1,040	1,117	1,935	291	5	1,057	6,479
Individual impairment provision ²	(149)	(322)	(386)	(435)	(1,105)	(90)	(5)	(291)	(2,783)
Net non-performing loans	311	252	654	682	830	201	-	766	3,696
Portfolio impairment provision	(146)	(107)	(53)	(153)	(86)	(68)	(6)	(79)	(698)
Total	165	145	601	529	744	133	(6)	687	2,998
Cover ratio	64%	75%	42%	53%	62%	54%	nm ³	35%	54%

¹ The disclosures in the risk profile section are presented on the basis of booking location and not customer location. Prior periods are re-presented on this basis

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

³ not meaningful

Individual and portfolio impairment provisions

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

	2014			2013		
	Individual impairment provisions \$million	Portfolio impairment provisions \$million	Total \$million	Individual impairment provisions \$million	Portfolio impairment provisions \$million	Total \$million
Provisions held at 1 January	2,849	698	3,547	2,433	724	3,157
Exchange translation differences	(61)	(21)	(82)	(81)	(16)	(97)
Amounts written off	(1,517)	-	(1,517)	(1,173)	-	(1,173)
Releases of acquisition fair values	(5)	-	(5)	(3)	-	(3)
Recoveries of amounts previously written off	217	-	217	211	-	211
Discount unwind	(100)	-	(100)	(93)	-	(93)
Transferred to assets held for sale	(104)	(17)	(121)	(42)	(25)	(67)
New provisions	2,483	202	2,685	2,007	170	2,177
Recoveries/provisions no longer required	(387)	(164)	(551)	(410)	(155)	(565)
Net impairment charge against profit	2,096	38	2,134	1,597	15	1,612
Provisions held at 31 December	3,375	698	4,073	2,849	698	3,547

Standard Chartered PLC – Risk review continued

Individually impaired loans by client segment

Individually impaired loans were lower in Retail Clients, compared to 2013 at \$1.0 billion. Corporate and Institutional Clients gross individually impaired loans increased by \$1.1 billion, or 21 per cent since 2013. Individual impairment provisions increases were primarily in Europe, Greater China and ASEAN as a result of a small number of Corporate and Institutional Clients exposures.

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

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

	2014				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
	\$million	\$million	\$million	\$million	\$million
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

	2013				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
	\$million	\$million	\$million	\$million	\$million
Gross impaired loans at 31 December	5,018	963	93	898	6,972
Provisions held at 1 January	1,639	345	44	405	2,433
Exchange translation differences	(60)	(16)	-	(5)	(81)
Amounts written off	(82)	(52)	-	(1,039)	(1,173)
Releases of acquisition fair values	-	(2)	-	(1)	(3)
Recoveries of amounts previously written off	13	-	-	198	211
Discount unwind	(57)	(14)	-	(22)	(93)
Transferred to assets held for sale	-	-	-	(42)	(42)
New provisions	517	189	8	1,293	2,007
Recoveries/provisions no longer required	(43)	(28)	-	(339)	(410)
Net individual impairment charge against profit	474	161	8	954	1,597
Individual impairment provisions held at 31 December	1,927	422	52	448	2,849
Net individually impaired Loans	3,091	541	41	450	4,123

Country cross-border risk

Country cross-border risk is the risk that we will be unable to obtain payment from our customers or third parties on their contractual obligations as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency. Country cross border risk assets are those where the main source of repayment or security is derived from a country other than that where the asset is booked.

The profile of our country cross-border exposures as at 31 December 2014 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 had an impact on growth of cross-border exposure for certain territories.

Cross-border exposure to China remains predominantly short-term (74 per cent of such exposure had a tenor of less than 12-months), including very short-dated interbank and treasury exposures. Progressing internationalisation of the RMB contributed to the growth in cross-border exposure to China, with short-term cross-border exposure increasing throughout 2014 in response to the deployment of renminbi customer deposits. Short-dated trade finance activity and an expansion of our corporate client base also increased cross-border exposure to China.

We took steps to diversify the placement of surplus liquidity away from Chinese banks during 2014, resulting in an increase in short-term cross-border exposure to other countries, particularly Hong Kong, Korea and Malaysia, as noted further below.

Trade finance activity and short dated lending to corporate, commercial and private banking clients drove an increase in short-term cross-border exposure to Singapore.

The overall size of the cross border exposure to India reflects our competitive advantage in offering US dollar facilities in the domestic market, and the facilitation of overseas investment and trade flows supported by parent companies in India. During 2014, efforts to prioritise business that offered higher returns contributed to the lower cross-border exposure. Other factors that led to decreased exposure in India were maturing corporate client facilities and a reduction in new business due to a moderation in the business environment.

Increased trade finance activity and interbank placements of foreign currency liquidity resulted in increased cross-border exposure to South Korea during 2014, with growth in medium-term exposure driven by offshore transactions to support South Korean clients across the Group's footprint.

Cross-border exposure to the United Arab Emirates declined during 2014, due to decreases in trade financing transactions and short dated exposures arising from financial markets activity.

Growth in short-term cross-border activity in Indonesia was attributable to an expansion of the corporate client base, and growth in international trade finance. Successful syndication and distribution of risk on new longer dated transactions resulted in a decline in medium-term cross-border exposure. 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.

Overall cross-border exposure to Nigeria increased, driven by project financing and foreign currency funding of Nigerian corporate and institutional clients. Exposure with a tenor greater than one year declined as a result of a focus on shorter dated transactions and the successful syndication and distribution of term facilities.

Cross-border exposure to Malaysia increased in 2014 in response to growth in trade finance activity amidst rising intra-region trade flows with ASEAN member countries, and with China and India. Higher short-dated cross-border exposure to Malaysia was also representative of increased interbank money market positions booked offshore.

The decrease in cross-border exposure to Brazil is attributable to a moderation in economic growth, and slowing trade and investment flows with our core markets.

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 to explaining the significant cross-border exposure to the US.

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

	2014			2013		
	Less than one year \$million	More than one year \$million	Total \$million	Less than one year \$million	More than one year \$million	Total \$million
China	42,098	14,790	56,888	35,833	14,449	50,282
US	26,406	10,672	37,078	19,001	7,287	26,288
Hong Kong	22,104	8,684	30,788	21,164	8,210	29,374
Singapore	21,422	5,930	27,352	19,328	5,749	25,077
India	8,551	15,015	23,566	12,566	18,295	30,861
Korea	9,581	8,216	17,797	9,093	7,415	16,508
United Arab Emirates	6,955	8,752	15,707	6,281	10,997	17,278
Indonesia	4,172	4,058	8,230	3,959	4,958	8,917
Nigeria	4,543	3,301	7,844	2,318	4,072	6,390
Malaysia	4,115	3,488	7,603	3,878	3,396	7,274
Brazil	5,297	2,228	7,525	6,175	2,002	8,177

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's 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 broadly stable. 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 options;

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

	2014				2013			
	Average \$million	High ⁴ \$million	Low ⁴ \$million	Actual ⁵ \$million	Average \$million	High ⁴ \$million	Low ⁴ \$million	Actual ⁵ \$million
Trading and Non-trading								
Interest rate risk ²	25.8	36.8	19.0	22.0	25.0	37.4	18.2	23.3
Foreign exchange risk	3.6	6.7	2.2	4.7	4.2	7.6	2.3	7.0
Commodity risk	1.4	2.9	0.7	0.7	1.5	2.6	0.9	1.5
Equity risk	17.9	20.0	15.1	16.4	15.4	18.4	13.0	18.3
Total ³	34.4	47.4	25.2	26.5	32.8	44.8	22.1	38.5

	2014				2013			
	Average \$million	High ⁴ \$million	Low ⁴ \$million	Actual ⁵ \$million	Average \$million	High ⁴ \$million	Low ⁴ \$million	Actual ⁵ \$million
Trading¹								
Interest rate risk ²	9.3	21.3	5.7	5.7	9.1	15.0	6.5	8.1
Foreign exchange risk	3.6	6.7	2.2	4.7	4.2	7.6	2.3	7.0
Commodity risk	1.4	2.9	0.7	0.7	1.5	2.6	0.9	1.5
Equity risk	1.6	2.4	1.3	2.0	1.5	2.1	1.1	1.8
Total ³	10.6	20.8	7.1	7.6	9.8	14.9	7.3	9.1

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

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

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

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

⁵ Actual one day VaR at year end date

Backtesting

Regulatory backtesting is applied at both Group and Solo levels. In 2014 exceptions due to exceptional market volatility occurred on three days: one at Group level (none in 2013) and three at Solo level (one in 2013).

These occasions followed notable central bank action with impact on Group footprint market:

- 21 February: the People's Bank of China widened the Renminbi trading band resulting in sharp movement in the Renminbi foreign exchange market (Solo level only).

- 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 in 2014

Market risk VaR changes

The average levels of VaR in 2014 were slightly higher than in 2013. Total VaR increased 5 per cent with trading VaR increasing 9 per cent and non trading VaR rising 3 per cent. The increases were driven by rises in interest rate risk and equity risk, offset by decreases in foreign exchange risk and commodity risk.

The actual levels of VaR at 31 December were considerably lower in 2014 than in 2013 with all asset class risks being reduced except trading book equities which was higher by 11 per cent.

- 24 November: after the People's Bank of China had cut Renminbi interest rates for the first time since 2012, there were sharp movements in both Renminbi interest rate and FX markets (Solo level only).

- 16 December: the Russian Rouble dropped in value after the Central Bank of Russia suddenly increased Rouble interest rates. This induced wider reaction in other interest rate markets, notably India and Brazil (Group and Solo levels).

Three exceptions due to market events are within the 'green zone' applied internationally to internal models by bank supervisors.

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.

Liquidity in 2014

The liquidity position of the group stayed strong in 2014 and we continued to enjoy inflows of customer deposits and maintained good assets to wholesale market.

Conditions in the bank wholesale debt markets were generally positive in 2014, supported by strong investor demand. In 2014, the Group issued \$10 billion of term debt securities, \$5.3 billion of senior debt and \$4.7 billion of Tier 2 subordinated debt (2013: \$9.5 billion of which \$4 billion was senior debt and \$5.5 billion was Tier 2 subordinated debt).

Liquidity metrics

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

Liquid asset ratio (LAR)

The Liquid Asset Ratio (LAR) ensures that a proportion of the Group's total assets are held in liquid assets, on a consolidated currency basis.

Liquid assets are the total cash (less restricted balances), treasury bills, loans and advances to banks (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.

LAR limits (minimum LAR level acceptable) is set and monitored at Group level in order to ensure that an adequate proportion of the balance sheet shall always remain highly liquid. In addition, the Group keeps sufficient liquid assets to survive a number of severe stress scenarios, both internal and regulatory.

The Group LAR (32.2 percent) increased from the previous year (29.8 percent) reflecting an increase in liquid assets held mainly in the Americas and Europe.

The following table sets out an analysis of the Group's liquid assets

	2014	2013
	\$million	\$million
Cash and balances at central banks	97,282	54,534
Restricted balances	(10,073)	(9,946)
Loans and advances to banks - net of non-performing loans	87,397	86,062
Deposits by banks	(55,323)	(44,526)
Treasury bills	25,901	31,404
Debt securities	95,677	86,073
of which :		
Issued by governments	38,035	33,874
Issued by banks	33,605	32,171
Issued by corporate and other entities	24,037	20,028
Illiquid securities and Other Assets	(6,816)	(2,744)
Liquid assets	234,045	200,857
Total assets	725,914	674,380
Liquid assets to total asset ratio (%)	32.2%	29.8%

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 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 are likely to remain with the bank for the medium term.

	2014	2013
	\$million	\$million
Loans and advances to customers ¹	288,599	296,015
Customer accounts	414,189	390,971
Advances to deposits ratio	69.7%	75.7%

¹see note 12 to the financial statements on page 80

Standard Chartered PLC – Risk review continued

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

The Group monitors the LCR in line with the Capital Requirements Regulation (CRR), the Regulation that implements BCBS238 in Europe. The Group also monitors NSFR in line with BCBS271, pending implementation in Europe. As at 31 December 2014 both the Group LCR and NSFR were above 100 per cent.

Encumbered assets

Encumbered assets represent those on balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities. Hong Kong government certificates of indebtedness which secure the equivalent amount of Hong Kong currency notes in circulation, and cash collateral pledged against derivatives are included within other assets. Taken together these encumbered assets represent 2.8 per cent (2013: 2.7 per cent) of total assets, continuing the Group's historical low level of encumbrance.

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

	2014				2013			
	Unencumbered assets		Encumbered assets	Total assets	Unencumbered assets		Encumbered assets	Total assets
	Not readily available to secure funding	Readily available to secure funding			Not readily available to secure funding	Readily available to secure funding		
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Cash and balances at central banks	10,073	87,209	-	97,282	9,946	44,588	-	54,534
Derivative financial instruments	65,834	-	-	65,834	61,802	-	-	61,802
Loans and advances to banks ¹	49,389	38,111	-	87,500	49,279	36,890	-	86,169
Loans and advances to customers ¹	288,568	-	31	288,599	295,236	-	779	296,015
Investment securities ¹	41,762	82,120	5,465	129,347	48,699	72,062	3,516	124,277
Other assets	23,640	-	15,049	38,689	19,870	-	13,700	33,570
Current tax assets	362	-	-	362	234	-	-	234
Prepayments and accrued income	2,647	-	-	2,647	2,510	-	-	2,510
Interests in associates and joint ventures	1,962	-	-	1,962	1,767	-	-	1,767
Goodwill and intangible assets	5,190	-	-	5,190	6,070	-	-	6,070
Property, plant and equipment	7,984	-	-	7,984	6,903	-	-	6,903
Deferred tax assets	518	-	-	518	529	-	-	529
Total	497,929	207,440	20,545	725,914	502,845	153,540	17,995	674,380

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

In addition to the above the Group received \$27,910 million (2013: \$15,906 million) as collateral under reverse repurchase agreements that was eligible for repledging. Of this the Group sold \$2,252 million (2013: \$1,804 million) under repurchase agreements.

Readily available to secure funding

Readily available to secure funding includes unencumbered assets that can be sold outright or under repo within a few days, in line with regulatory definitions. The Group's readily

available assets comprise of cash and balances at central banks, loans and advances to banks and investment securities.

Assets classified as not readily available to secure funding include:

- Assets which have no restrictions for funding and collateral purposes, such as loans and advances to customers, which are not acquired or originated with the intent of generating liquidity value; and
- Assets that cannot be encumbered, such as derivatives, goodwill and intangible and deferred tax assets

Standard Chartered PLC – Capital

Capital Summary

Capital, leverage and RWA	2014 %	2013¹ %
CET1 transitional	10.5	10.9
CET1 end point	10.7	11.2
Total capital transitional	16.7	17.0
Leverage end point ²	4.5	4.7
RWA (\$ million)	341,648	331,296

¹ The 2013 column shows 31 December 2013 Basel II position adjusted for the CRD IV rules as at 1 January 2014

² The Leverage end point ratio at 31 December 2013 is not directly comparable; its calculation was on a different basis, following prevailing PRA guidance for the year

The Group is well capitalised with an end point Common Equity Tier 1 (CET1) ratio of 10.7 per cent that is well ahead of the PRA's current requirement for large UK banks of 7 per cent CET1 and the Group's current known 2019 minimum CET1 requirement of 8.7 per cent. The Group will continue to manage its capital position in the context of current and evolving CET1 requirements as they apply to the Group.

The Group is not highly leveraged. Its CET1 leverage ratio of 4.5 per cent is well ahead of the current known 2019 leverage requirement of 3.35 per cent. Issuance of Additional Tier 1 (AT1) capital would further strengthen the Group's leverage ratio.

The Group continues to manage its balance sheet proactively. In 2014, its increased focus on the disciplined management of RWA has delivered RWA efficiencies of \$12.2 billion and released around \$8.5 billion of RWA from the management of low return relationships. The efficient management of RWA supports the Group's ability to continue delivering organic capital accretion while funding growth and meeting regulatory requirements.

The Group is well positioned: diversified, well capitalised and liquid with a conservative approach to balance sheet management. The Group currently operates at capital and leverage levels materially above the current minimum requirements and has a number of levers at its disposal to manage future regulatory requirements as they evolve.

CET 1 ratio

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

As at 31 December 2014, the Group's transitional CET1 ratio was 10.5 per cent (30 June 2014: 10.5 per cent; 31 December 2013: 10.9 per cent). The Group's end point CET1 ratio is 10.7 per cent which reflects the inclusion of unrealised gains on available for sale securities in CET1 from 2015 onwards.

Capital movements

The main movements in capital between 1 January 2014 and 31 December 2014 were:

- The transitional CET1 ratio declined by 40 basis points (bps) as strong underlying CET1 accretion of around 50bps was offset by the impact of model changes, deduction of foreseeable dividends and the civil monetary penalty of \$300 million
- CET1 capital was broadly flat as a result of the net effect of movements in profits less dividends, regulatory adjustments, foreign currency translation and movements in other comprehensive income
- AT1 capital decreased by \$1.7 billion, mainly as a result of the redemption of \$1.5 billion of non-CRR compliant Innovative Tier 1 capital which would otherwise have been derecognised
- Tier 2 capital increased by \$2.4 billion as a result of the new issuance net of redemptions of \$3.9 billion, partly offset by regulatory amortisation and foreign currency translation movements

Reflecting the above movements, the Group's total capital ratio has declined slightly from 17 per cent as at 1 January 2014 to 16.7 per cent as at 31 December 2014.

Standard Chartered PLC – Capital continued

Capital ratios	2014 %	2013 ¹ %
CET1 transitional	10.5	10.9
CET1 end point ²	10.7	11.2
Total capital transitional	16.7	17.0

CRD IV Capital base	Transitional position 2014 \$million	Transitional position 2013 ¹ \$million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	5,225	5,213
Of which: Share premium accounts	3,989	4,001
Retained earnings ³	27,394	28,560
Accumulated other comprehensive income (and other reserves)	9,690	10,794
Non-controlling interests (amount allowed in consolidated CET1)	583	607
Independently reviewed interim and year-end profits ⁴	2,640	-
Foreseeable dividends net of scrip ⁵	(1,160)	-
CET1 capital before regulatory adjustments	44,372	45,174
CET1 regulatory adjustments		
Additional value adjustments	(196)	(180)
Intangible assets (net of related tax liability)	(5,449)	(6,173)
Deferred tax assets that rely on future profitability	(180)	(273)
Fair value reserves related to gains or losses on cash flow hedges	55	(15)
Negative amounts resulting from the calculation of expected loss	(1,719)	(1,738)
Gains or losses on liabilities at fair value resulting from changes in own credit	(167)	(85)
Defined-benefit pension fund assets	(13)	(6)
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(9)	(5)
Exposure amounts which could qualify for risk weighting	(199)	(190)
Of which: securitisation positions	(177)	(184)
Of which: free deliveries	(22)	(6)
Regulatory adjustments relating to unrealised gains	(481)	(546)
Other	(1)	(2)
Total regulatory adjustments to CET1	(8,359)	(9,213)
CET 1 transitional	36,013	35,961
AT1 instruments	2,786	4,458
Tier 1 capital	38,799	40,419
Tier 2 capital instruments	18,304	15,961
Tier 2 regulatory adjustments	(4)	(11)
Tier 2 capital	18,300	15,950
Total capital transitional	57,099	56,369
Total risk-weighted assets⁶	341,648	331,296

¹ The 2013 column shows 31 December 2013 Basel II position adjusted for the CRD IV rules as at 1 January 2014

² For details of the Group's 2013 end point CET1 ratio of 11.2 per cent, please see the 2013 Annual Report, page 135

³ Retained earnings include the effect of regulatory consolidation adjustments, and for 2013 include year end profits

⁴ Independently reviewed interim and year-end profits for CRD IV are in accordance with the regulatory consolidation

⁵ Foreseeable dividends include the proposed final dividend for 2014. The final dividend is reported net of scrip using a 25 per cent scrip dividend assumption

⁶ The risk-weighted assets are not reviewed by the auditors

The table above summarises the consolidated capital position of the Group. The Group's Pillar 3 Disclosures contain the full prescribed EBA Own Funds template.

Movement in total capital

	2014 \$million
CET1 at 1 January 2014	35,961
Ordinary shares issued in the year and share premium	11
Profit for the year	2,640
Dividends, net of scrip	(1,451)
Foreseeable dividends net of scrip	(1,160)
Decrease in goodwill and other intangible assets	724
Foreign currency translation differences	(1,042)
Decrease in unrealised gains on available for sale assets	65
Movement in eligible other comprehensive income	238
Net effect of regulatory consolidation and change in non-controlling interests	83
Decrease in excess expected loss	19
Decrease in securitisation positions	7
Own credit adjustment, net of tax	(82)
CET1 at 31 December 2014 (transitional)	36,013
AT1 at 1 January 2014	4,458
Redeemed capital	(1,800)
Other	128
AT1 at 31 December 2014	2,786
Tier 2 capital at 1 January 2014	15,950
Issuances net of redemptions	3,867
Regulatory amortisation	(701)
Foreign currency translation differences	(701)
Other	(115)
Tier 2 capital at 31 December 2014	18,300
Total capital at 31 December 2014 (transitional)	57,099

Movements in risk-weighted assets

RWA increased by \$19.4 billion, or 6 per cent, from 31 December 2013. Of this, \$9 billion was a result of the transition to CRD IV on 1 January 2014 as set out in the 'Movement in risk-weighted assets' table on page 61. This was comprised primarily of a \$15.4 billion increase in credit risk RWA, which was partially offset by a benefit in market risk RWA of \$6.4 billion.

Excluding the impact of CRD IV, total RWA increased by \$10.4 billion, or 3 per cent, to \$341.6 billion and this is analysed below.

Corporate and Institutional and Commercial

Credit risk increased \$7.7 billion as a result of the following:

- EAD model changes of \$12.2 billion, resulting from a change in the method for calculating EAD for certain IRB models, under guidance from the PRA
- Negative credit migration due to downgrades, primarily in the Europe and ASEAN regions, of \$8.3 billion
- Asset growth of \$2 billion, mainly due to growth in Financial Markets. Asset growth is partially offset by an \$8.5 billion decrease in RWA from the management of low return relationships in Transaction Banking and Lending

This was partly offset by translation impact of \$4.0 billion as a result of depreciation of currencies in Europe, Africa and India,

and efficiencies and optimisations of \$12 billion which includes portfolio management activities, collateral management initiatives and some reduction in tenors.

Retail Clients

Credit RWA decreased by \$4.4 billion as a result of re-shaping and de-risking the portfolio. There was a reduction in the unsecured lending book, which generally attracts a higher RWA compared to secured lending in Wealth Management and Mortgages, which grew in 2014. Positive credit migration of \$1.8 billion and a translation impact of \$1.9 billion due to depreciation of currencies in Korea, Singapore, India, Taiwan and Indonesia, further contributed to lower RWA.

Private Banking Clients

Private Banking RWA increased by \$1.7 billion, driven by the impact of CRD IV collateral eligibility policy changes and growth in Wealth Management lending of \$0.4 billion.

Market risk

Excluding the impact of CRD IV, RWA increased by \$3.5 billion mainly due to an increase in internal model RWA of \$2.4 billion and an increase in foreign currency positions under standardised rules at the year end, adding \$1.2 billion.

Operational risk

RWA increased by \$1.8 billion to \$35.1 billion, due to the change in income over a rolling three year time horizon (2013 income replacing 2010).

Standard Chartered PLC – Capital continued

Risk-weighted assets by business

	CRD IV 2014			
	Credit Risk	Operational Risk	Market Risk	Total Risk
	\$million	\$million	\$million	\$million
Corporate and 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

	Basel II 2013			
	Credit Risk	Operational Risk	Market Risk	Total Risk
	\$million	\$million	\$million	\$million
Corporate and Institutional Clients	177,366	21,166	23,128	221,660
Commercial Clients	23,062	2,634	-	25,696
Private Banking Clients	4,779	855	-	5,634
Retail Clients	60,627	8,634	-	69,261
Total risk-weighted assets	265,834	33,289	23,128	322,251

Risk-weighted assets by geographic region

	CRD IV	Basel II
	2014	2013
	\$million	\$million
Greater China	66,585	63,284
North East Asia	23,990	26,701
South Asia	26,522	26,721
ASEAN	82,603	80,377
MENAP	29,775	29,402
Africa	20,289	19,729
Americas	13,692	12,454
Europe	89,592	74,389
	353,048	333,057
Netting balances ¹	(11,400)	(10,806)
Total risk-weighted assets	341,648	322,251

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

Movement in risk-weighted assets

	Credit risk							
	Corporate and Institutional Clients	Commercial Clients	Private Banking Clients	Retail Clients	Total	Operational risk	Market risk	Total risk
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2013 (Basel II)	158,540	20,599	4,087	63,424	246,650	30,761	24,450	301,861
Assets growth/(decline) ¹	15,661	1,601	943	(517)	17,688	-	-	17,688
Credit migration	9,075	651	(203)	(569)	8,954	-	-	8,954
Risk-weighted assets efficiencies	(1,986)	(642)	2	(1,290)	(3,916)	-	-	(3,916)
Model, methodology and policy changes	(73)	1,253	-	1,015	2,195	-	-	2,195
Acquisitions and disposals	-	145	-	156	301	-	-	301
Foreign currency translation differences	(3,851)	(545)	(50)	(1,592)	(6,038)	-	-	(6,038)
Non credit risk movements	-	-	-	-	-	2,528	(1,322)	1,206
At 31 December 2013 (Basel II)	177,366	23,062	4,779	60,627	265,834	33,289	23,128	322,251
Impact of CRD IV (at 1 January 2014)	16,602	(900)	50	(330)	15,422	-	(6,377)	9,045
At 1 January 2014 (CRD IV)	193,968	22,162	4,829	60,297	281,256	33,289	16,751	331,296
Assets growth/(decline) ¹	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 differences	(3,565)	(390)	(111)	(1,872)	(5,938)	-	-	(5,938)
Non credit risk movements	-	-	-	-	-	1,818	3,544	5,362
At 31 December 2014 (CRD IV)	201,978	21,874	6,507	55,887	286,246	35,107	20,295	341,648

¹ \$8.5 billion RWA released from the management of low return relationships is included within the Assets growth/(decline) category

Leverage ratio

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

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 June 2014, in an update to Supervisory Statement SS3/13, the PRA set out a requirement for the eight major UK institutions (of which the Group is one) to meet an end point leverage ratio of at least 3 per cent from 1 July 2014.

In July 2014 the Financial Policy Committee (FPC) issued a consultation on the UK leverage ratio, the results of which were published in November 2014. The FPC proposed a minimum leverage ratio of 3 per cent together with supplementary leverage ratio buffers set at 35 per cent of the corresponding risk-weighted global systemically important institutions (G-SII) and countercyclical buffers, as those buffers are applicable to individual banks and as phased in. Based on the FPC’s proposals, the Group’s future minimum leverage ratio requirement will be 3.35 per cent, which comprises (i) the minimum 3 per cent and (ii) a 0.35 per cent G-SII leverage buffer (calculated as 35 per cent of the Group’s 1 per cent risk-weighted G-SII buffer).

The basis of calculating the leverage ratio is set by the PRA. It uses the end point CRR definition of Tier 1 for the numerator and permits either (i) the BCBS January 2014 definition for the leverage exposure denominator or (ii) the CRR definition of leverage exposure adopted by a European Union delegated act in October 2014. The Group has used the October 2014 CRR definition. At 30 June 2014 the Group’s leverage ratio was calculated using the PRA’s prevailing guidance of: (i) a capital measure using the end point Tier 1 capital definition in the final CRR text and the Own Funds Regulatory Technical Standards published by the EBA and (ii) an exposure measure based on the BCBS January 2014 definition. The differences arising from the change in basis of calculation between 30 June 2014 and 31 December 2014 are not material for the Group.

The Group’s current leverage ratio of 4.5 per cent is above the current PRA minimum requirement and the FPC’s proposed requirement. The Group has not yet issued any CRR-compliant AT1 capital, but the PRA permits 0.75 per cent of the leverage requirement to be met with CRR compliant AT1 capital.

Standard Chartered PLC – Capital continued

Leverage ratio

	2014
	\$million
Tier 1 capital (transitional position)	38,799
Additional Tier 1 capital subject to phase out	(2,786)
Regulatory adjustments relating to unrealised gains	481
Tier 1 capital (end point)	36,494
Derivative financial instruments	65,834
Derivative cash collateral	10,311
Securities financing transactions (SFTs)	29,856
Loans and advances and other assets	619,913
Total on balance sheet assets	725,914
Regulatory consolidation adjustments	15,008
Derivatives adjustments	
Derivatives netting	(43,735)
Adjustments to cash collateral	(17,316)
Net written credit protection	7,885
Potential future exposure on derivatives	46,254
Total derivatives adjustments	(6,912)
Counterparty risk leverage exposure measure for SFTs	9,963
Regulatory deductions and other adjustments	(7,701)
Off-balance sheet items	67,042
Total leverage exposure end point	803,314
Leverage ratio end point	4.5%

CET1 Requirements

As the relevant rules are not yet fully implemented and the final outcome depends in part on the future shape of the Group, future management actions and the future view the Group's regulators take of the Group's business and risk profile, the Group's capital requirement is subject to change. Based on the Group's current understanding of the rules, its known future minimum CET1 capital requirement is 8.7 per cent comprising:

- A minimum CET1 requirement of 4.5 per cent by 1 January 2015
- 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 Pillar 2A CET1 addition of around 0.65 per cent (subject to ongoing PRA review)

The Group's current CET1 position materially exceeds this requirement. The Group would also expect 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, and calibration of, the countercyclical buffer, systemic risk buffers, the PRA Buffer assessment and additional sectoral capital requirements.

Capital buffers

In April 2014, the PRA published Policy Statement PS3/14 and Supervisory Statement SS6/14 which set out its approach to implementation of some of the CRD IV buffers. The Bank of England (BoE) was identified as the designated authority for the countercyclical capital buffer, with its powers delegated to the FPC. The FPC may set a countercyclical capital buffer for UK exposures and for non-EU exposures.

In the UK, the capital conservation buffer, the countercyclical capital buffer, the GSII buffer and the systemic risk buffer (to the extent applicable to a firm) will comprise a Combined Buffer. If a firm does not meet its Combined Buffer;

- It will be required to notify the PRA within 5 days and calculate a maximum distributable amount (MDA)
- It must not make distributions of profits in excess of the applicable MDA

Where firms are in the first quartile of their Combined Buffer, (when they meet between 75 per cent and 100 per cent of it), 60 per cent of the MDA can be distributed. In the second quartile, 40 per cent can be distributed; in the third quartile, 20 per cent; and in the fourth quartile, 0 per cent. Relevant distributions include: distributions in connection with CET1, payment of variable remuneration or discretionary pensions and payments on AT1 instruments.

To the extent a countercyclical capital buffer is applied to the Group, it would increase the Group's minimum CET1 requirement. The Hong Kong Monetary Authority has recently announced an intention to set a countercyclical capital buffer of 2.5 per cent in Hong Kong to be phased in from 2016 to 2019.

Given the Group's diverse footprint, its future countercyclical capital buffer requirement is expected to be determined from 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.

Pillar 2

In addition to Pillar 1 capital requirements, the Group, like other UK banks, is subject to additional requirements set by the PRA and referred to as Individual Capital Guidance (ICG) which comprise:

- A Pillar 2A buffer for material 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 the Group must hold at least 56 per cent of its Pillar 2A buffer in CET1 and can hold up to 19 per cent in AT1
- A capital planning buffer (CPB) to ensure the Group remains well capitalised during periods of stress. From 1 January 2016, the CPB transitions to a PRA Buffer, the amount of which will be based on the results of the (BoE) annual stress testing of the UK banking system. This would be in addition to existing CRD IV buffer requirements where the PRA does not consider them to adequately address the Group's risk profile

The PRA is consulting during 2015 on the transition to a new Pillar 2 framework which includes the revised PRA Buffer approach. Based on current guidance received from the PRA during 2014, the Group's Pillar 2A guidance is around 115 bps of RWA, of which at least around 65bps must be held in CET1. The Group's Pillar 2A guidance will vary over time.

Total Loss Absorbing Capacity (TLAC)

The FSB published draft TLAC proposals in November 2014, setting out principles on the loss absorbing and recapitalisation capacity of G-SIIs in resolution and a high level draft term sheet for an international standard on the characteristics, and levels, of TLAC for G-SIIs. Under the FSB's proposals, G-SIIs would be subject to a Pillar 1 minimum TLAC requirement of between 16 per cent and 20 per cent of Group RWA in addition to the Combined Buffer. Including the Combined Buffer, under the current proposals, the Group would have a potential Pillar 1 TLAC requirement of between 19.5 per cent and 23.5 per cent, to be met from 1 January 2019 at the earliest.

The FSB proposal also states that the Pillar 1 TLAC requirement would also be at least twice the quantum of capital that would be required to meet the Basel Tier 1 leverage ratio requirement. Assuming a minimum leverage ratio requirement of 3 per cent, as currently proposed by the BCBS, this means a TLAC requirement in the UK of at least 6 per cent of total leverage exposure.

Based on its current understanding of the TLAC proposals, the Group estimates that, as at 31 December 2014, it has TLAC of above 20 per cent of RWA and around 9 per cent of leverage exposure. The Group's TLAC estimate includes:

- Total regulatory capital
- 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 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

The PRA conducted a stress test of the UK banking system, which included the Group, as recommended by the FPC. The Group conducted a number of scenario extensions to extend the impact of the BoE and EBA stress test parameters to its footprint markets. These scenario extensions resulted in cumulative falls in GDP over the stress period compared to the baseline forecasts and property price stresses in our markets at levels consistent with those applied to the UK. The BoE stress test therefore assessed the impact of a severe economic downturn in the Group's markets and represented a meaningful assessment of the Group's capital adequacy and resilience to stress.

The BoE released the final results on 16 December 2014 for each of the eight participating institutions. The PRA Board stated that the stress test did not reveal any capital inadequacies for the Group and the PRA Board did not require the Group to submit a revised capital plan, recognising the Group's minimum stressed CET1 ratio of 8.1 per cent after the effect of strategic management actions. This result demonstrates the Group's resilience to macroeconomic stress and severe shocks across its key markets. In future, the Group expects that the results of the BoE stress test will be one of the inputs used by the PRA to inform the setting of the Group's PRA Buffer.

Global Systemically Important Institutions (G-SIIs)

The Group has been designated a G-SII by 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. The Group's calculations, based on publicly available data, indicate that its G-SII score is at the lower end of the 1 per cent range. On 5 June 2014, the EBA published the final draft Regulatory Technical Standards (RTS) on the methodology for identifying G-SIIs and the related disclosure requirements for G-SIIs. The Group's latest G-SII disclosure 'Standard Chartered's G-SII indicators' can be found at www.sc.com/en/news-and-media/news/global/31-07-2014-gsib-indicators.html

Standard Chartered PLC

Consolidated income statement

For the year ended 31 December 2014

	Notes	2014 \$million	2013 \$million
Interest income		16,984	17,593
Interest expense		(5,981)	(6,437)
Net interest income		11,003	11,156
Fees and commission income		4,651	4,581
Fees and commission expense		(472)	(480)
Net trading income	3	1,896	2,514
Other operating income	4	1,256	1,006
Non-interest income		7,331	7,621
Operating income		18,334	18,777
Staff costs	5	(6,788)	(6,570)
Premises costs		(910)	(877)
General administrative expenses	5	(2,708)	(2,032)
Depreciation and amortisation	6	(639)	(714)
Operating expenses		(11,045)	(10,193)
Operating profit before impairment losses and taxation		7,289	8,584
Impairment losses on loans and advances and other credit risk provisions	7	(2,141)	(1,617)
Other impairment			
Goodwill	8	(758)	(1,000)
Other	8	(403)	(129)
Profit from associates and joint ventures		248	226
Profit before taxation		4,235	6,064
Taxation	9	(1,530)	(1,864)
Profit for the year		2,705	4,200

Profit attributable to:

Non-controlling interests	92	110
Parent company shareholders	2,613	4,090
Profit for the year	2,705	4,200

		Cents	Cents
Earnings per share:			
Basic earnings per ordinary share	11	102.2	164.4
Diluted earnings per ordinary share	11	101.6	163.0

Dividend per ordinary share:

Interim dividend paid	10	28.80	28.80
Final proposed dividend ¹	10	57.20	57.20

		\$million	\$million
Total dividend:			
Interim dividend paid	10	710	696
Final proposed dividend ¹	10	1,414	1,385

¹ The final proposed dividend in respect of 2014 will be accounted for in 2015 as explained in note 10.

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Notes	2014 \$million	2013 \$million
Profit for the year		2,705	4,200
Other comprehensive income:			
Items that will not be reclassified to Income statement:			
Actuarial (losses)/gains on retirement benefit obligations	19	(61)	79
Items that may be reclassified subsequently to Income statement:			
Exchange differences on translation of foreign operations:			
Net losses taken to equity		(1,090)	(1,206)
Net gains/(losses) on net investment hedges		20	(35)
Share of other comprehensive income from associates and joint ventures		17	(15)
Available-for-sale investments:			
Net valuation gains taken to equity		479	171
Reclassified to income statement		(423)	(248)
Cash flow hedges:			
Net losses taken to equity		(116)	(83)
Reclassified to income statement		13	6
Taxation relating to components of other comprehensive income		(22)	34
Other comprehensive income for the year, net of taxation		(1,183)	(1,297)
Total comprehensive income for the year		1,522	2,903
Total comprehensive income attributable to:			
Non-controlling interests		63	79
Parent company shareholders		1,459	2,824
		1,522	2,903

Standard Chartered PLC

Consolidated balance sheet

As at 31 December 2014

	Notes	2014 \$million	2013 \$million
Assets			
Cash and balances at central banks	12	97,282	54,534
Financial assets held at fair value through profit or loss	12	32,623	29,335
Derivative financial instruments	12, 13	65,834	61,802
Loans and advances to banks	12	83,890	83,702
Loans and advances to customers	12	284,695	290,708
Investment securities	12	104,238	102,716
Other assets	12, 14	38,689	33,570
Current tax assets		362	234
Prepayments and accrued income		2,647	2,510
Interests in associates and joint ventures		1,962	1,767
Goodwill and intangible assets	15	5,190	6,070
Property, plant and equipment		7,984	6,903
Deferred tax assets		518	529
Total assets		725,914	674,380
Liabilities			
Deposits by banks	12	54,391	43,517
Customer accounts	12	405,353	381,066
Financial liabilities held at fair value through profit or loss	12	22,390	23,030
Derivative financial instruments	12, 13	63,313	61,236
Debt securities in issue	12, 16	71,951	64,589
Other liabilities	12, 17	31,274	27,338
Current tax liabilities		891	1,050
Accruals and deferred income		5,915	4,668
Subordinated liabilities and other borrowed funds	12, 18	22,947	20,397
Deferred tax liabilities		246	176
Provisions for liabilities and charges		92	107
Retirement benefit obligations	19	413	365
Total liabilities		679,176	627,539
Equity			
Share capital	20	1,236	1,214
Reserves		45,196	45,032
Total parent company shareholders' equity		46,432	46,246
Non-controlling interests		306	595
Total equity		46,738	46,841
Total equity and liabilities		725,914	674,380

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Share capital \$million	Share premium account \$million	Capital and capital redemption reserve ¹ \$million	Merger reserve \$million	Available-for-sale reserve \$million	Cash flow hedge reserve \$million	Translation reserve \$million	Retained earnings \$million	Parent company shareholders equity \$million	Non-controlling interests \$million	Total \$million
At 1 January 2013	1,207	5,476	18	12,421	478	81	(885)	26,566	45,362	693	46,055
Profit for the year	-	-	-	-	-	-	-	4,090	4,090	110	4,200
Other comprehensive income	-	-	-	-	(32)	(66)	(1,221)	53 ²	(1,266)	(31)	(1,297)
Distributions	-	-	-	-	-	-	-	-	-	(77)	(77)
Shares issued, net of expenses	5	19	-	-	-	-	-	-	24	-	24
Net own shares adjustment	-	-	-	-	-	-	-	(124)	(124)	-	(124)
Share option expense, net of taxation	-	-	-	-	-	-	-	240	240	-	240
Capitalised on scrip dividend	2	(2)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(2,068)	(2,068)	-	(2,068)
Other decreases ³	-	-	-	-	-	-	-	(12)	(12)	(100)	(112)
At 31 December 2013	1,214	5,493	18	12,421	446	15	(2,106)	28,745	46,246	595	46,841
Profit for the year	-	-	-	-	-	-	-	2,613	2,613	92	2,705
Other comprehensive income	-	-	-	-	10	(72)	(1,042)	(50) ²	(1,154)	(29)	(1,183)
Distributions	-	-	-	-	-	-	-	-	-	(60)	(60)
Shares issued, net of expenses	3	8	-	-	-	-	-	-	11	-	11
Net own shares adjustment	-	-	-	-	-	-	-	(93)	(93)	-	(93)
Share option expense, net of taxation	-	-	-	-	-	-	-	247	247	-	247
Capitalised on scrip dividend	19	(19)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(1,451)	(1,451)	-	(1,451)
Other increases/(decreases) ⁴	-	-	-	-	-	-	-	13	13	(292)	(279)
At 31 December 2014	1,236	5,482	18	12,421	456	(57)	(3,148)	30,024	46,432	306	46,738

¹ Includes capital reserve of \$5 million and capital redemption reserve of \$13 million² Comprises actuarial losses, net of taxation and non-controlling interests of \$47 million (2013: gain of \$58 million)³ Relate to the impact of losing control in a subsidiary after divesting from the company⁴ Relates mainly to redemption of \$300 million 7.267% Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited

Consolidated cash flow statement

For the year ended 31 December 2014

	Notes	Group	
		2014	2013
		\$million	\$million
Cash flows from operating activities			
Profit before taxation		4,235	6,064
Adjustments for non-cash items and other adjustments included within income statement		4,470	4,121
Change in operating assets		(13,657)	(44,138)
Change in operating liabilities		59,321	45,252
Contributions to defined benefit schemes	19	(98)	(168)
UK and overseas taxes paid		(1,708)	(1,716)
Net cash from operating activities		52,563	9,415
Cash flows from investing activities			
Purchase of property, plant and equipment		(189)	(205)
Disposal of property, plant and equipment		67	156
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired		(64)	(46)
Purchase of investment securities		(196,054)	(142,892)
Disposal and maturity of investment securities		192,055	137,161
Dividends received from investment in subsidiaries, associates and joint ventures		13	5
Net cash used in investing activities		(4,172)	(5,821)
Cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses		11	24
Purchase of own shares		(110)	(154)
Exercise of share options through ESOP		17	30
Interest paid on subordinated liabilities		(1,090)	(813)
Gross proceeds from issue of subordinated liabilities		4,684	5,448
Repayment of subordinated liabilities		(2,114)	(2,616)
Repayment to non-controlling interests		(298)	(104)
Interest paid on senior debts		(740)	(563)
Gross proceeds from issue of senior debts		6,579	6,816
Repayment of senior debts		(6,408)	(3,730)
Dividends paid to non-controlling interests and preference shareholders, net of scrip		(161)	(178)
Dividends paid to ordinary shareholders, net of scrip		(1,350)	(1,967)
Net cash (used in) / from financing activities		(980)	2,193
Net increase in cash and cash equivalents		47,411	5,787
Cash and cash equivalents at beginning of year		84,156	79,518
Effect of exchange rate movements on cash and cash equivalents		(1,697)	(1,149)
Cash and cash equivalents at end of year		129,870	84,156

Standard Chartered PLC

Notes to the financial statements

1. Basis of preparation

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

These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU).

The accounting policies are consistent with those applied by the Group in its 2013 Annual Report and Accounts except as described below.

Accounting standards effective 1 January 2014

The following amendments and interpretation have been adopted by the Group for the first time from 1 January 2014 and did not have a material impact on the Group:

- Amendment to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives have been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of asset or CGU is measured at fair value less costs of disposal.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting* clarifies that there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.
- IFRIC 21 *Leases* is an interpretation of IAS 37 *Provisions* and addresses what the obligating event is that gives rise to pay a levy imposed by a government and when a liability should be recognised.

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 2015. They have not been endorsed by EU. 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 for recognising loan loss provisions based on expected losses and provide for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.
- IFRS 15 *Revenue from Contracts with Customers* - The effective date of IFRS 15 is 1 January 2017 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 should be applied retrospectively. Whilst 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.

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

A summary of the Group's significant accounting policies will be included in the 2014 Annual Report and Accounts.

Notes to the financial statements continued

2. Segmental Information

The Group is organised on a worldwide basis for management and reporting purposes into four client segments: Corporate and Institutional, Commercial, Private Banking and Retail. The focus is on broadening and deepening the relationship with clients, rather than maximising a particular product line. Hence the Group evaluates segmental performance based on overall profit or loss before taxation (excluding corporate items not allocated) and not individual product profitability. Product revenue information is used as a way of assessing client needs and trends in the market place. The strategies adopted by the client segments need to be adapted to local market and regulatory requirements, which is the responsibility of country management teams. While not the primary driver of the business, country performance is an important part of the Group's structure and is also used to evaluate performance and reward staff. Corporate items not allocated are not aggregated into the client segments because of the one-off nature of these items.

The Group's entity-wide disclosure which includes profit before tax, net interest margin and structure of the Group's deposits comprises geographic areas, classified by the location of the customer, except for Financial Market products which are classified by the location of the dealer.

Transactions between the client segments and geographic areas are carried out on an arm's length basis. Apart from the entities that have been acquired in the last two years, Group central expenses have been distributed between the client segments and geographic areas in proportion to their direct costs, and the benefit of the Group's capital has been distributed between segments in proportion to their average credit risk weighted assets. In the year in which an acquisition is made, the Group does not charge or allocate the benefit of the Group's capital. The distribution of central expenses is phased in over two years, based on the estimate of central management costs associated with the acquisition.

Performance by client segment

	2014						
	Corporate and Institutional	Commercial	Private Banking	Retail	Total reportable Segments	Corporate items not allocated	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Internal income	6	2	(6)	(2)	-	-	-
Net interest income	5,821	722	346	4,114	11,003	-	11,003
Non-interest income ¹	4,704	458	272	1,897	7,331	-	7,331
Operating income¹	10,531	1,182	612	6,009	18,334	-	18,334
Operating expenses	(5,191)	(739)	(447)	(4,002)	(10,379)	(666)⁴	(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 ²	-	-	-	-	-	(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
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
Customer accounts	244,731	22,787	29,621	117,050	414,189	-	414,189
Other segment items:							
Capital expenditure ³	2,264	120	44	98	2,526	-	2,526
Depreciation	305	13	4	112	434	-	434
Interests in associates and joint ventures	1,217	406	19	320	1,962	-	1,962
Amortisation of intangible assets	107	13	6	79	205	-	205

¹ Includes an own credit adjustment of \$100 million

² Relates to \$726 million and \$32 million goodwill impairment charge in North East Asia and Greater China respectively

³ Includes capital expenditure \$1,966 million in respect of operating lease asset

⁴ Relates to \$366 million for UK bank levy and \$300 million for US civil monetary penalty

Notes to the financial statements continued

2. Segmental Information continued

	2013						
	Corporate and Institutional	Commercial	Private Banking	Retail	Total reportable segments	Corporate items not allocated	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Internal income	(53)	35	(44)	62	-	-	-
Net interest income	5,869	765	349	4,173	11,156	-	11,156
Non-interest income ¹	4,946	711	281	1,683	7,621	-	7,621
Operating income	10,762	1,511	586	5,918	18,777	-	18,777
Operating expenses	(4,954)	(731)	(407)	(3,866)	(9,958)	(235)⁴	(10,193)
Operating profit before impairment losses and taxation	5,808	780	179	2,052	8,819	(235)	8,584
Impairment losses on loans and advances and other credit risk provisions	(488)	(157)	(8)	(964)	(1,617)	-	(1,617)
Other impairment	-	-	-	-	-	-	-
Goodwill Impairment ²	-	-	-	-	-	(1,000)	(1,000)
Other impairment	(113)	(13)	-	(3)	(129)	-	(129)
Profit from associates and joint ventures	156	37	2	31	226	-	226
Profit before taxation	5,363	647	173	1,116	7,299	(1,235)	6,064
Total assets employed	456,661	35,767	23,669	152,313	668,410	5,970	674,380
Loans to customers	160,906	17,802	17,159	100,148	296,015	-	296,015
Total liabilities employed	404,097	45,845	38,191	138,180	626,313	1,226	627,539
Customer accounts	211,051	33,705	32,212	114,003	390,971	-	390,971
Other segment items:							
Capital expenditure ³	1,153	77	11	210	1,451	-	1,451
Depreciation	295	11	-	127	433	-	433
Interests in associates and joint ventures	982	417	36	332	1,767	-	1,767
Amortisation of intangible assets	174	14	8	85	281	-	281

¹ Includes an own credit adjustment of \$106 million

² Relates to goodwill impairment charge on the Korea business in North East Asia

³ Includes capital expenditure of \$874 million in respect of operating lease assets

⁴ Relates to UK bank levy

Standard Chartered PLC

Notes to the financial statements continued

2. Segmental Information continued

Performance by geographic regions and key countries

Entity-wide information

The Group's operations are based in the eight main geographic regions presented below. Information is also provided for key countries the Group operates.

	2014								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$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	5,540	1,459	1,855	3,713	1,843	1,829	861	1,234	18,334
Operating expenses¹	(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 ²	(174)	(737)	(73)	(86)	(1)	(1)	(1)	(88)	(1,161)
Profit 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 ³	213,196	64,896	35,941	160,286	44,225	26,456	91,999	172,274	
Loans to customers ⁴	89,646	29,582	22,859	78,541	22,775	13,103	10,952	21,141	
Average interest-earning assets ⁴	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 ⁵	2,008	40	28	377	12	38	2	21	2,526

¹ Includes \$366 million UK bank levy in Europe and \$300 million civil monetary penalty in Americas

² Includes \$32 million and \$726 million related to goodwill impairment charge in Greater China and North East Asia respectively

³ Includes intra-group assets

⁴ Based on the location of the customers rather than booking location

⁵ Includes capital expenditure in Greater China of \$1,966 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

Standard Chartered PLC

Notes to the financial statements continued

2. Segmental Information continued

Performance by geographic regions and key countries continued

Entity-wide information

	2013								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Internal income	85	(73)	57	83	96	129	4	(381)	-
Net interest income	2,862	1,312	1,267	2,175	948	992	393	1,207	11,156
Fees and commissions income, net	1,129	255	326	976	419	417	356	223	4,101
Net trading income	794	88	224	597	338	184	96	193	2,514
- Underlying	795	86	224	552	338	184	96	133	2,408
- Own credit adjustment	(1)	2	-	45	-	-	-	60	106
Other operating income	327	59	166	225	64	29	9	127	1,006
Operating income	5,197	1,641	2,040	4,056	1,865	1,751	858	1,369	18,777
Operating expenses¹	(2,772)	(1,186)	(823)	(2,075)	(960)	(862)	(536)	(979)	(10,193)
Operating profit before impairment losses and taxation	2,425	455	1,217	1,981	905	889	322	390	8,584
Impairment losses on loans and advances and other credit risk provisions	(242)	(427)	(215)	(396)	(47)	(270)	(11)	(9)	(1,617)
Other impairment ²	1	(1,029)	(105)	2	-	-	-	2	(1,129)
Profit from associates and joint ventures	146	-	-	78	-	-	-	2	226
Profit/(loss) before taxation	2,330	(1,001)	897	1,665	858	619	311	385	6,064
Total assets employed ³	206,332	67,159	39,700	159,346	42,430	24,892	71,380	134,249	
Loans to customers ⁴	89,846	30,618	25,608	82,852	23,535	13,122	10,429	20,005	
Average interest-earning assets ⁴	163,023	57,885	33,576	123,715	35,725	20,066	60,087	83,323	
Net interest margin (%)	1.8	2.1	3.9	1.8	2.9	5.6	0.7	1.0	2.1
Capital expenditure ⁵	944	28	31	344	11	45	5	43	1,451

¹ Includes \$235 million UK bank levy charge in Europe

² Includes \$1billion goodwill impairment charge on Korea business in North East Asia

³ Includes intra-group assets

⁴ The analysis is based on the location of the customers rather than booking location of the loan

⁵ Includes capital expenditure in Greater China of \$874 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

Notes to the financial statements continued

2. Segmental Information continued

Performance by geographic regions and key countries continued

Entity-wide information

	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	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	4,045	2,027	1,380	1,452	1,070	919	984
Operating expenses	(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	(169)	(2)	(737)	(73)	-	-	(88)
Profit from associates and joint ventures	-	(1)	-	-	-	177	-
Profit/(loss) before taxation	1,812	851	(870)	561	438	161	(154)
Total assets employed ¹	156,528	120,845	54,437	30,083	28,322	36,250	172,259
Loans to customers ²	61,643	55,830	28,600	19,718	14,358	15,939	18,344
Capital expenditure ³	1,996	355	39	20	2	7	19

¹ Includes intra-group assets

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

³ Includes capital expenditure in Hong Kong of \$1,966 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

	2013						
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Net interest income	1,835	1,072	1,199	1,092	652	788	707
Fees and commissions income, net	875	579	236	264	291	129	161
Net trading income	722	311	73	159	233	(13)	161
- Underlying income	722	282	72	159	233	(12)	101
- Own credit adjustment	-	29	1	-	-	(1)	60
Other operating income	293	170	56	148	46	29	81
Operating income	3,725	2,132	1,564	1,663	1,222	933	1,110
Operating expenses	(1,666)	(1,129)	(1,120)	(684)	(573)	(753)	(812)
Operating profit before impairment losses and taxation	2,059	1,003	444	979	649	180	298
Impairment losses on loans and advances and other credit risk provisions	(135)	(88)	(427)	(195)	(52)	(58)	(6)
Other impairment	(4)	10	(1,029)	(105)	-	4	2
Profit from associates and joint ventures	-	-	-	-	-	146	2
Profit/(loss) before taxation	1,920	925	(1,012)	679	597	272	296
Total assets employed ¹	149,318	115,561	55,921	34,470	28,813	35,128	132,162
Loans to customers ²	61,173	57,540	29,760	22,767	15,734	15,489	16,543
Capital expenditure ³	905	320	27	26	3	26	41

¹ Includes intra-group assets

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

³ Includes capital expenditure in Hong Kong of \$874 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

Notes to the financial statements continued

2. Segmental Information continued

Deposits structure by geographic regions and key countries

The following tables set out the structure of the Group's deposits by principal geographic regions and key countries:

	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
Total	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

	2013								
	Greater China \$million	North East Asia \$million	South Asia \$million	ASEAN \$million	MENAP \$million	Africa \$million	Americas \$million	Europe \$million	Total \$million
Non-interest bearing current and demand accounts	10,022	409	3,093	10,815	9,696	5,465	3,513	2,469	45,482
Interest bearing current accounts and savings deposits	77,075	20,258	2,484	40,253	3,915	2,429	18,173	16,572	181,159
Time deposits	62,479	16,090	9,119	49,198	11,197	3,985	10,825	37,249	200,142
Other deposits	351	1,023	1,364	2,426	181	207	-	3,162	8,714
Total	149,927	37,780	16,060	102,692	24,989	12,086	32,511	59,452	435,497
Deposits by banks	4,652	3,719	542	6,917	1,491	566	17,739	8,900	44,526
Customer accounts	145,275	34,061	15,518	95,775	23,498	11,520	14,772	50,552	390,971
Protected under Government insurance Schemes	25,965	9,834	1,222	13,957	302	1,247	-	59	52,586
Other Accounts	119,310	24,227	14,296	81,818	23,196	10,273	14,772	50,493	338,385
Total	149,927	37,780	16,060	102,692	24,989	12,086	32,511	59,452	435,497
Debt securities in issue:									
Senior debt	2,187	4,094	-	-	53	6	-	18,839	25,179
Other debt securities	2,848	6,069	46	2,961	-	214	14,450	19,645	46,233
Subordinated liabilities and other borrowed funds	1,696	635	-	-	24	51	-	17,991	20,397
Total	156,658	48,578	16,106	105,653	25,066	12,357	46,961	115,927	527,306

The above tables include financial instruments held at fair value (see note 12).

Notes to the financial statements continued

3. Net trading income

	2014 \$million	2013 \$million
Gains less losses on instruments held for trading	1,980	2,437
Foreign currency ¹	298	1,118
Trading securities	337	(203)
Interest rate derivatives	1,306	889
Credit and other derivatives	39	633
Gains less losses from fair value hedging	(29)	(15)
Gains less losses from fair value hedged items	(1,301)	1,307
Gains less losses from fair value hedging instruments	1,272	(1,322)
Gains less losses on instruments designated at fair value	(55)	92
Financial assets designated at fair value through profit or loss	(65)	97
Financial liabilities designated at fair value through profit or loss	(834)	172
Own credit adjustment (OCA)	100	106
Derivatives managed with financial instruments designated at fair value through profit or loss	744	(283)
	1,896	2,514

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

Gains less losses on instruments held for trading is presented by product type. Gains or losses on certain trading securities are offset by gains or losses within interest rate derivatives and credit and other derivatives.

4. Other operating income

	2014 \$million	2013 \$million
Other operating income includes:		
Gains less losses on disposal of financial instruments:		
Available-for-sale	426	248
Loans and receivables	8	17
Dividend income	97	104
Rental income from operating lease assets	562	485
Gain on disposal of property, plant and equipment	49	102
Receipt of tax refund related income	26	5
Profit on sale of businesses	13	-
Fair value loss on business classified as held for sale	(15)	(49)

5. Operating expenses

	2014 \$million	2013 \$million
Staff costs:		
Wages and salaries	5,035	4,982
Social security costs	168	160
Other pension costs (note 19)	333	336
Share based payment costs	234	264
Other staff costs	1,018	828
	6,788	6,570

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

Notes to the financial statements continued

5. Operating expenses continued

	2014	2013
General administrative expenses	\$million	\$million
UK bank levy ¹	366	235
Civil monetary penalty ²	300	-
Other general administrative expenses	2,042	1,797
	2,708	2,032

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 charge for 2013 was reduced by a refund of \$31 million relating to prior years. The rate of the levy for 2014 is 0.156 per cent for chargeable short term liabilities, with a lower rate of 0.078 per cent generally applied to chargeable equity and long term liabilities (i.e. liabilities with a remaining maturity greater than one year).

² In August 2014, Standard Chartered reached a settlement with the New York Department of Financial Services (DFS) regarding deficiencies in its anti-money laundering transaction surveillance system at the New York branch

6. Depreciation and amortisation

	2014	2013
	\$million	\$million
Premises	105	108
Equipment:		
Operating lease assets	234	206
Others	95	119
Intangibles:		
Software	165	226
Acquired on business combinations	40	55
	639	714

During the year, the Group revised the useful life of certain technology assets from three years to five years. The revisions were accounted for prospectively as a change in accounting estimate and as a result, the current financial year depreciation charges of the Group for these assets decreased by \$121 million compared to 2013.

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

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

	2014	2013
	\$million	\$million
Net charge against profit on loans and advances:		
Individual impairment charge	2,096	1,597
Portfolio impairment charge	38	15
	2,134	1,612
Provisions related to credit commitments	6	-
Impairment charges relating to debt securities classified as loans and receivables	1	5
Total impairment losses and other credit risk provisions on loans and advances	2,141	1,617

An analysis of impaired loans and advances by client segment is set out within the Risk and Capital review on page 52.

8. Other impairment

	2014	2013
	\$million	\$million
Impairment losses on available-for-sale financial assets:		
- Debt securities	109	54
- Equity shares	47	90
	156	144
Impairment of investment in associates	97	-
Impairment of goodwill (see note 15)	758	1,000
Impairment of acquired intangible assets (see note 15)	8	-
Impairment of commodity assets	139	-
Other	9	14
	1,167	1,158
Recovery of impairment on disposal of instruments ¹	(6)	(29)
	1,161	1,129

¹ Relates to private equity instruments sold during the year which had impairment provisions raised against them in prior years

Notes to the financial statements continued

9. Taxation

Analysis of taxation charge in the year:

	2014 \$million	2013 \$million
The charge for taxation based upon the profits for the year comprises:		
Current tax:		
United Kingdom corporation tax at 21.5 per cent (2013: 23.25 per cent):		
Current tax on income for the year	169	139
Adjustments in respect of prior years (including double taxation relief)	(130)	(3)
Double taxation relief	(8)	(9)
Foreign tax:		
Current tax on income for the year	1,460	1,594
Adjustments in respect of prior years	(29)	(37)
	1,462	1,684
Deferred tax:		
Origination/reversal of temporary differences	(15)	165
Adjustments in respect of prior years	83	15
	68	180
Tax on profits on ordinary activities	1,530	1,864
Effective tax rate	36.1%	30.7%

The UK corporation tax rate was reduced from 23 per cent to 21 per cent with an effective date of 1 April 2014, giving a blended 21.5 per cent for the year. The effective tax rate increased to 36.1 per cent (2013: 30.7 per cent) primarily due to a change in profit mix and an increase in non-deductible expenses.

Foreign taxation includes current taxation on Hong Kong profits of \$207 million (2013: \$242 million) provided at a rate of 16.5 per cent (2013: 16.5 per cent) on the profits assessable in Hong Kong. Deferred taxation includes origination/reversal of temporary differences in Hong Kong profits of \$4 million (2013: \$1 million) provided at a rate of 16.5 per cent (2013: 16.5 per cent) on the profits assessable in Hong Kong.

10. Dividends

Ordinary equity shares

	2014		2013	
	Cents per share	\$million	Cents per share	\$million
2013/2012 Final dividend declared and paid during the year ¹	57.20	1,385	56.77	1,366
2014/2013 Interim dividend declared and paid during the year ¹	28.80	710	28.80	696
		2,095		2,062

¹ The amounts are gross of scrip adjustments

The amounts in the table above reflect the actual dividends per share declared and paid to shareholders in 2014 and 2013. Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2013 final dividend of 57.20 cents per ordinary share (\$1,385 million) was paid to eligible shareholders on 14 May 2014 and the interim dividend of 28.80 cents per ordinary share (\$710 million) was paid to eligible shareholders on 20 October 2014.

2014 recommended final ordinary equity share dividend

The 2014 final ordinary equity share dividend recommended by the board is 57.20 cents per share (\$1,414 million), which makes the total dividend for 2014 of 86.00 cents per share (2013: 86.00 cents per share). The final dividend will be paid in either pounds sterling, Hong Kong dollars or US dollars on 14 May 2015 to shareholders on the UK register of members at the close of business in the UK (10:00 pm London time) on 13 March 2015 and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 13 March 2015. The 2014 final ordinary equity share dividend will be paid in Indian rupees on 14 May 2015 to Indian Depository Receipt holder on the Indian register at the close of business in India on 13 March 2015.

It is intended that shareholders on the UK register and Hong Kong branch register will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 27 March 2015. Indian Depository Receipt holders will receive their dividend in Indian rupees only.

Standard Chartered PLC

Notes to the financial statements continued

10. Dividends continued

Preference shares

		2014 \$million	2013 \$million
Non-cumulative irredeemable preference shares:	7 ³ / ₈ per cent preference shares of £1 each ¹	13	11
	8 ¹ / ₄ per cent preference shares of £1 each ¹	12	13
Non-cumulative redeemable preference shares:	8.125 per cent preference shares of \$5 each ^{1,3}	-	75
	7.014 per cent preference shares of \$5 each ²	53	53
	6.409 per cent preference shares of \$5 each ²	48	48

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

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

³ These preference shares were redeemed on 27 November 2013

11. Earnings per ordinary share

	2014			2013		
	Profit ¹	Weighted average number of shares	Per share amount	Profit ¹	Weighted average number of shares	Per share amount
	\$million	('000)	cents	\$million	('000)	cents
Basic earnings per ordinary share	2,512	2,458,662	102.2	3,989	2,426,238	164.4
Effect of dilutive potential ordinary shares:						
Options ²		14,551			20,671	
Diluted earnings per ordinary share	2,512	2,473,213	101.6	3,989	2,446,909	163.0

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.

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

	2014 \$million	2013 \$million
Operating income as reported	18,334	18,777
Items normalised:		
Fair value gains on own credit adjustment	(100)	(106)
Gain on disposal of property	(49)	(77)
Gain arising on sale of business	(13)	-
Fair value loss on business classified as held for sale	15	49
	(147)	(134)
Normalised operating income	18,187	18,643
Operating expenses as reported	(11,045)	(10,193)
Items normalised:		
Amortisation of intangible assets arising on business combinations	40	55
Civil monetary penalty ⁴	300	-
	340	55
Normalised operating expenses	(10,705)	(10,138)
Other impairment as reported	(1,161)	(1,129)
Items normalised:		
Impairment of associates	97	-
Impairment of property	-	9
Impairment of acquired intangibles	8	-
Impairment of goodwill	758	1,000
	863	1,009
Normalised other impairment	(298)	(120)
Taxation as reported	(1,530)	(1,864)
Tax on normalised items ³	20	31
Normalised taxation	(1,510)	(1,833)

Notes to the financial statements continued

11. Earnings per ordinary share continued

Profit as reported ¹	2,512	3,989
Items normalised as above:		
Operating income	(147)	(134)
Operating expenses	340	55
Other impairment	863	1,009
Taxation	20	31
	1,076	961
Normalised profit	3,588	4,950
Normalised basic earnings per ordinary share (cents)	145.9	204.0
Normalised diluted earnings per ordinary share (cents)	145.1	202.3

¹ The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 10)

² The impact of anti-dilutive options has been excluded from this amount as required by IAS 33

³ No tax is included in respect of the impairment of goodwill as no tax relief is available

⁴ In August 2014, Standard Chartered reached a settlement with the New York Department of Financial Services (DFS) regarding deficiencies in its anti-money laundering transaction surveillance system at the New York branch. There is no tax relief for this settlement

12. Financial instruments

Classification

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

Assets	Notes	Assets at fair value				Assets at amortised cost			Total
		Trading	Derivatives held for hedging	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Held-to-maturity	Non-financial assets	
		\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Cash and balances at central banks		-	-	-	-	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		1,720	-	92	-	-	-	-	1,812
Debt securities		17,735	-	-	-	-	-	-	17,735
Equity shares		4,556	-	1,006	-	-	-	-	5,562
		30,212	-	2,411	-	-	-	-	32,623
Derivative financial instruments	13	64,111	1,723	-	-	-	-	-	65,834
Loans and advances to banks ¹		-	-	-	-	83,890	-	-	83,890
Loans and advances to customers ¹		-	-	-	-	284,695	-	-	284,695
Investment securities									
Treasury bills and other eligible bills		-	-	-	24,073	-	16	-	24,089
Debt securities		-	-	-	74,937	2,883	122	-	77,942
Equity shares		-	-	-	2,207	-	-	-	2,207
		-	-	-	101,217	2,883	138	-	104,238
Other assets	14	-	-	-	-	30,754	-	7,935	38,689
Total at 31 December 2014		94,323	1,723	2,411	101,217	499,504	138	7,935	707,251

¹ Further analysed in Risk review on pages 40 to 52

Notes to the financial statements continued

12. Financial instruments continued

Classification continued

Assets	Notes	Assets at fair value				Assets at amortised cost			Total
		Trading	Derivatives held for hedging	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Held-to-maturity	Non-financial assets	
		\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Cash and balances at central banks		-	-	-	-	54,534	-	-	54,534
Financial assets held at fair value through profit or loss									
Loans and advances to banks ¹		2,221	-	246	-	-	-	-	2,467
Loans and advances to customers ¹		4,411	-	896	-	-	-	-	5,307
Treasury bills and other eligible bills		5,161	-	-	-	-	-	-	5,161
Debt securities		12,407	-	292	-	-	-	-	12,699
Equity shares		2,932	-	769	-	-	-	-	3,701
		27,132	-	2,203	-	-	-	-	29,335
Derivative financial instruments	13	59,765	2,037	-	-	-	-	-	61,802
Loans and advances to banks ¹		-	-	-	-	83,702	-	-	83,702
Loans and advances to customers ¹		-	-	-	-	290,708	-	-	290,708
Investment securities									
Treasury bills and other eligible bills		-	-	-	26,243	-	-	-	26,243
Debt securities		-	-	-	70,546	2,828	-	-	73,374
Equity shares		-	-	-	3,099	-	-	-	3,099
		-	-	-	99,888	2,828	-	-	102,716
Other assets	14	-	-	-	-	27,435	-	6,135	33,570
Total at 31 December 2013		86,897	2,037	2,203	99,888	459,207	-	6,135	656,367

¹ Further analysed in Risk and Capital review on pages 40 to 52

Liabilities	Notes	Liabilities at fair value				Amortised cost	Non-financial liabilities	Total
		Trading	Derivatives held for hedging	Designated at fair value through profit or loss				
		\$million	\$million	\$million	\$million	\$million	\$million	\$million
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	13	61,896	1,417	-	-	-	-	63,313
Deposits by banks		-	-	-	54,391	-	-	54,391
Customer accounts		-	-	-	405,353	-	-	405,353
Debt securities in issue	16	-	-	-	71,951	-	-	71,951
Other liabilities	17	-	-	-	30,086	1,188	-	31,274
Subordinated liabilities and other borrowed funds	18	-	-	-	22,947	-	-	22,947
Total at 31 December 2014		65,681	1,417	18,605	584,728	1,188	-	671,619

Notes to the financial statements continued

12. Financial instruments continued

Classification continued

Liabilities at fair value							
Liabilities	Notes	Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Amortised cost \$million	Non-financial liabilities \$million	Total \$million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		-	-	1,009	-	-	1,009
Customer accounts		-	-	9,905	-	-	9,905
Debt securities in issue		-	-	6,823	-	-	6,823
Short positions		5,293	-	-	-	-	5,293
		5,293	-	17,737	-	-	23,030
Derivative financial instruments	13	60,322	914	-	-	-	61,236
Deposits by banks		-	-	-	43,517	-	43,517
Customer accounts		-	-	-	381,066	-	381,066
Debt securities in issue	16	-	-	-	64,589	-	64,589
Other liabilities	17	-	-	-	26,008	1,330	27,338
Subordinated liabilities and other borrowed funds	18	-	-	-	20,397	-	20,397
Total at 31 December 2013		65,615	914	17,737	535,577	1,330	621,173

Valuation of financial instruments

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2014 and 31 December 2013.

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	-	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
Equity shares	4,754	-	808	5,562
	14,798	15,982	1,843	32,623
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
At 31 December 2014	68,396	127,547	3,731	199,674

Notes to the financial statements continued

12. Financial instruments continued

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 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.

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	244	2,223	-	2,467
Loans and advances to customers	-	4,587	720	5,307
Treasury bills and other eligible bills	4,904	257	-	5,161
Debt securities	6,596	5,944	159	12,699
Equity shares	2,797	-	904	3,701
Derivative financial instruments	323	60,881	598	61,802
Investment securities	48,781	49,024	2,083	99,888
Total at 31 December 2013	63,645	122,916	4,464	191,025

Liabilities	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	1,009	-	1,009
Customer accounts	-	9,897	8	9,905
Debt securities in issue	7	6,777	39	6,823
Short positions	4,917	376	-	5,293
Derivative financial instruments	420	60,375	441	61,236
Total at 31 December 2013	5,344	78,434	488	84,266

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

There have been no significant changes to valuation or levelling approaches in 2014

Notes to the financial statements continued

12. Financial instruments continued

Fair value adjustments

When establishing the fair value 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 \$432 million (2013: \$421 million) of valuation adjustments in determining fair value for financial assets and financial liabilities classified as Level 2 or Level 3 financial instruments. The main adjustments are described below:

Valuation adjustments	2014	2013
Bid-offer	66	69
Credit ¹	160	187
Model	14	15
Funding Valuation Adjustment	111	84
Others (including Day 1)	81	66
Total	432	421

¹ Includes own debit valuation adjustments on derivatives

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			Derivative financial instruments	Investment securities			Total
	Loans and advances to customers	Debt securities	Equity shares		Treasury Bills	Debt securities	Equity shares	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
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)
Total losses recognised in other comprehensive income	-	-	-	-	-	(66)	(144)	(210)
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
At 31 December 2014	640	395	808	575	-	360	953	3,731
Total (losses)/gains recognised in the income statement relating to assets held at 31 December 2014	(154)	5	54	29	-	(37)	(16)	(119)

Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the year.

Transfers out during the year primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets.

Notes to the financial statements continued

12. Financial instruments continued

	Held at fair value through profit or loss			Derivative financial instruments	Investment securities			Total
	Loans and advances to customers	Debt securities	Equity shares		Treasury bills	Debt securities	Equity shares	
Assets	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2013	910	176	1,125	486	58	396	1,958	5,109
Total (losses)/gains recognised in income statement	(89)	63	17	37	-	(18)	51	61
Total losses recognised in other comprehensive income	-	-	-	-	-	(23)	(46)	(69)
Purchases	-	18	264	86	-	6	119	493
Sales	-	(30)	(502)	(11)	(36)	(59)	(446)	(1,084)
Settlements	(103)	(38)	-	(50)	(3)	(100)	-	(294)
Transfers out	-	(44)	-	(1)	-	(56)	(180)	(281)
Transfers in	2	14	-	51	-	462	-	529
At 31 December 2013	720	159	904	598	19	608	1,456	4,464

Total (losses)/gains recognised in the income statement relating to assets held at 31 December 2013	(86)	3	16	24	-	-	3	(40)
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Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the year.

Transfers out during the year primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets.

Level 3 movement tables – Financial liabilities

	2014				2013			
	Customer accounts	Debt securities in issue	Derivative financial instruments	Total	Customer accounts	Debt securities in issue	Derivative financial instruments	Total
Liabilities	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January	8	39	441	488	-	114	563	677
Total gains/(losses) recognised in income statement	-	3	(18)	(15)	-	3	54	57
Issues	-	159	27	186	9	506	1	516
Settlements	(7)	(24)	(152)	(183)	(3)	(490)	(144)	(637)
Transfers out	-	-	-	-	-	(99)	(33)	(132)
Transfers in	-	31	(2)	29	2	5	-	7
At 31 December	1	208	296	505	8	39	441	488

Total losses recognised in the income statement relating to liabilities held at 31 December 2014	-	-	29	29	-	4	37	41
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Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the year.

Transfers out during the year primarily relate to certain equity loans and advances and corporate debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets.

Notes to the financial statements continued

12. Financial instruments continued

Sensitivities in respect of the fair values of level 3 assets and liabilities

Where the fair value of financial instruments are measured using valuation techniques that incorporate one or more significant inputs which are based on unobservable market data, we apply a 10 per cent increase or decrease on the values of these unobservable parameter inputs, to generate a range of reasonably possible alternative valuations in accordance with the requirements of IFRS 7. The percentage shift is determined by statistical analysis performed on a set of reference prices, which included certain equity indices, credit indices and volatility indices, based on the composition of our Level 3 assets. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This Level 3 sensitivity analysis assumes a one way market move and does not consider offsets for hedges.

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	2014	2013
		\$million	\$million
Designated at fair value through profit or loss	Possible increase	173	229
	Possible decrease	(173)	(167)
Available-for-sale	Possible increase	121	166
	Possible decrease	(118)	(167)

13. 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.

	2014			2013		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Derivatives						
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	1,611,476	19,265	20,649	1,303,103	17,213	17,490
Currency swaps and options	1,589,989	24,819	24,507	1,086,784	25,151	24,647
Exchange traded futures and options	300	-	-	340	-	-
	3,201,765	44,084	45,156	2,390,227	42,364	42,137
Interest rate derivative contracts:						
Swaps	2,264,473	14,325	12,874	1,974,451	15,295	15,241
Forward rate agreements and options	186,796	879	819	236,646	771	646
Exchange traded futures and options	1,313,920	-	-	694,212	-	-
	3,765,189	15,204	13,693	2,905,309	16,066	15,887
Credit derivative contracts	32,055	440	965	40,981	586	874
Equity and stock index options	16,585	404	577	15,684	415	502
Commodity derivative contracts	130,058	5,702	2,922	162,858	2,371	1,836
Total derivatives	7,145,652	65,834	63,313	5,515,059	61,802	61,236

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are 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.

Notes to the financial statements continued

13. Derivative financial instruments continued

Derivatives held for hedging

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

	2014			2013		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Derivatives designated as fair value hedges:						
Interest rate swaps	48,427	671	335	41,598	756	589
Forward foreign exchange contracts	12	1	-	199	7	-
Currency swaps	30,953	905	892	22,026	1,190	169
	79,392	1,577	1,227	63,823	1,953	758
Derivatives designated as cash flow hedges:						
Interest rate swaps	9,465	5	17	20,564	22	19
Forward foreign exchange contracts	2,375	4	75	2,150	42	38
Currency swaps	6,524	62	98	7,169	20	15
	18,364	71	190	29,883	84	72
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	1,098	75	-	981	-	84
Total derivatives held for hedging	98,854	1,723	1,417	94,687	2,037	914

Notes to the financial statements continued

14. Other assets

	2014 \$million	2013 \$million
Financial assets held at amortised cost (note 12)		
Hong Kong SAR Government certificates of indebtedness (note 17) ¹	4,738	4,460
Cash collateral	10,311	9,240
Acceptances and endorsements	5,212	5,501
Unsettled trades and other financial assets	10,493	8,234
	30,754	27,435
Non-financial assets and assets held for sale		
Commodities	4,432	3,965
Assets held for sale ²	3,237	1,623
Other assets	266	547
	38,689	33,570

¹ The Hong Kong SAR Government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued

² Includes the disposal groups held for sale disclosed below.

The disposal groups below have been presented as held for sale following the approval of the Group management and the transactions are expected to complete in 2015. These consist of Standard Chartered Capital (Korea) Company Limited, Standard Chartered Savings Bank Korea Company Limited, Shenzhen PrimeCredit Limited (SZPC), PrimeCredit Limited (PCL), Standard Chartered Bank SAL, Standard Chartered Leasing Company Limited, Standard Chartered Modarba and Standard Chartered Services (Pvt) Limited.

The assets and liabilities of the disposal groups were remeasured to the lower of carrying amount and fair value less costs to sell, this resulted in a fair value loss of \$64 million (\$49 million recognised in 2013 and \$15 million in 2014). See note 4 for the fair value loss disclosure.

	SZPC and PCL \$million	Businesses held for sale in Korea ³ \$million	Others \$million	Total \$million
Assets				
Cash and balances at central banks	2	8	16	26
Financial assets held at fair value through profit and loss	-	73	-	73
Loans and advances to banks	38	218	4	260
Loans and advances to customers (net of \$78 million impairment provision)	1,615	971	146	2,732
Investment securities	-	2	19	21
Deferred tax assets	6	-	1	7
Other assets	13	-	1	14
Prepayments and accrued income	3	14	3	20
Goodwill and Intangible assets	68	-	-	68
Property, plant and equipment	7	3	1	11
Total assets	1,752	1,289	191	3,232
Liabilities				
Deposits by banks	132	-	7	139
Customer accounts	104	248	76	428
Current tax liabilities	2	-	-	2
Other liabilities	24	16	31	71
Subordinated liabilities and other borrowed funds	-	-	58	58
Deferred tax liabilities	-	11	1	12
Total liabilities	262	275	173	710
Due (to)/ from Group Undertakings	(1,127)	(879)	8	(1,998)

³ Includes Standard Chartered Savings Company Limited and Standard Chartered Capital (Korea) Company Limited. The businesses were presented as held for sale in 2014 but due to developments beyond management's control the disposal of these businesses was not completed. On 19 January 2015 the sale of Standard Chartered Savings Company Limited was completed (see note 24) and the other transaction is expected to complete in 2015

The assets reported here are level 3 except for cash and balances at central banks (Level 2) and financial assets held at fair value through profit and loss (Level 2).

The net liabilities due to Group undertakings will be transferred to the acquirers on completion of the sale.

Notes to the financial statements continued

15. Goodwill and intangible assets

	2014				2013			
	Goodwill \$million	Acquired intangibles \$million	Software \$million	Total \$million	Goodwill \$million	Acquired intangibles \$million	Software \$million	Total \$million
Cost								
At 1 January	5,207	678	1,103	6,988	6,378	658	923	7,959
Exchange translation differences	(120)	(18)	(67)	(205)	(187)	(15)	(15)	(217)
Acquisitions	-	-	-	-	16	35	-	51
Additions	-	-	371	371	-	-	372	372
Disposals	-	-	(1)	(1)	-	-	-	-
Impairment	(758)	-	-	(758)	(1,000)	-	-	(1,000)
Amounts written off	-	(96)	(58)	(154)	-	-	(175)	(175)
Held for sale	(68)	-	-	(68)	-	-	-	-
Other movements	(37)	-	-	(37)	-	-	(2)	(2)
At 31 December	4,224	564	1,348	6,136	5,207	678	1,103	6,988
Provision for amortisation								
At 1 January	-	530	388	918	-	481	333	814
Exchange translation differences	-	(17)	(25)	(42)	-	(6)	2	(4)
Amortisation	-	40	165	205	-	55	226	281
Impairment charge	-	8	8	16	-	-	-	-
Disposals	-	-	(1)	(1)	-	-	-	-
Amounts written off	-	(94)	(56)	(150)	-	-	(173)	(173)
At 31 December	-	467	479	946	-	530	388	918
Net book value	4,224	97	869	5,190	5,207	148	715	6,070

Outcome of impairment assessment

The Group performed its annual impairment assessment on the level of goodwill assigned to the Group CGU as a result of its consideration of reduced expectation for future cash flows and fluctuations in the discount rate. Based on this analysis, the carrying amount was assessed as exceeding the recoverable value by \$758 million for Korea and Corporate advisory business CGU which was recognised as an impairment charge. The pre-tax discount rate applied to the Korea CGU was 16.3 percent and 12.0 per cent in respect of the corporate advisory business CGU.

At 31 December 2014, the results of our annual assessment review indicated that there is no other goodwill impairment to be recognised. The Group believes that a reasonable possible change in any of the key assumptions on which the recoverable amounts have been based would not cause the carrying amounts to exceed their recoverable amount.

It continues to be possible that certain scenarios could be constructed where a combination of a material change in the discount rate coupled with a reduction in current business plan forecasts or the GDP growth rate, would potentially result in the carrying amount of the goodwill exceeding the recoverable amount in the future.

16. Debt securities in issue

	2014			2013		
	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	28,585	43,366	71,951	21,082	43,507	64,589
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 12)	125	8,712	8,837	141	6,682	6,823
Total debt securities in issue	28,710	52,078	80,788	21,223	50,189	71,412

Notes to the financial statements continued

17. Other liabilities

	2014 \$million	2013 \$million
Financial liabilities held at amortised cost (note 12)		
Notes in circulation ¹	4,738	4,460
Acceptances and endorsements	5,212	5,501
Cash collateral	7,005	5,147
Unsettled trades and other financial liabilities	13,131	10,900
	30,086	26,008
Non-financial liabilities		
Cash-settled share based payments	37	73
Liabilities held for sale ²	710	344
Other liabilities	441	913
	31,274	27,338

¹ Hong Kong currency notes in circulation of \$4,738 million (2013: \$4,460 million) that are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 14)

² Relate to liabilities in disposal groups held for sale. The businesses held for sale also have total net liabilities due to Group undertakings of \$2 billion which will be transferred to the acquirers on completion of the sale. See note 14 for the balance sheet of the disposal groups held for sale

18. Subordinated liabilities and other borrowed funds

	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

	2013				
	USD \$million	GBP \$million	Euro \$million	Others \$million	Total \$million
Fixed rate subordinated debt	9,663	3,922	4,426	2,060	20,071
Floating rate subordinated debt	238	50	-	38	326
Total	9,901	3,972	4,426	2,098	20,397

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

Issuances

On 23 January 2014, Standard Chartered PLC (the Company) issued SGD700 million 4.4 per cent fixed interest rate notes due January 2026.

On 26 March 2014, the Company issued \$2 billion 5.7 per cent fixed interest rate notes due March 2044.

On 6 June 2014, the Company issued £900 million 5.125 per cent fixed interest rate notes due June 2034.

On 19 November 2014, the Company issued €500 million 3.125 per cent fixed interest rate notes due November 2024.

Redemptions

On 13 March 2014, Standard Chartered Bank Korea Limited exercised its right to redeem its KRW300 billion 7.05 per cent subordinated debt in full on the first optional call date.

On 28 October 2014, Standard Chartered Bank (Taiwan) Limited exercised its right to redeem its TWD 10 billion 2.9 per cent subordinated debt due 2019 in full on the first optional call date.

On 24 December 2014, Standard Chartered Bank exercised its right to redeem its \$1.5 billion 9.5 per cent Step up perpetual preferred securities in full on the first optional call date.

Standard Chartered PLC

Notes to the financial statements continued

19. Retirement benefit obligations

Retirement benefit obligations comprise:

	2014 \$million	2013 \$million
Total market value of assets	2,634	2,585
Present value of the schemes' liabilities	(3,025)	(2,926)
Defined benefit schemes obligation	(391)	(341)
Defined contribution schemes obligation	(22)	(24)
Net obligation	(413)	(365)

Retirement benefit charge comprises:

	2014 \$million	2013 \$million
Defined benefit schemes	105	119
Defined contribution schemes	228	217
Charge against profit (note 5)	333	336

The pension cost for defined benefit schemes was:

	2014 \$million	2013 \$million
Current service cost and administrative expenses	94	100
Past service cost and curtailments	(1)	4
Gain on settlements	(1)	-
Interest income on pension scheme assets	(108)	(93)
Interest on pension scheme liabilities	121	108
Total charge to profit before deduction of tax	105	119
Return on plan assets excluding interest income	(153)	(69)
Loss/(gain) on liabilities	214	(10)
Total loss/(gain) recognised directly in statement of comprehensive income before tax	61	(79)
Deferred taxation	(13)	21
Total loss/(gains) after tax	48	(58)

20. Share capital, reserves and own shares

Group and Company

	Number of ordinary shares millions	Ordinary share capital \$million	Preference share capital \$million	Total \$million
At 1 January 2013	2,413	1,207	-	1,207
Capitalised on scrip dividend	4	2	-	2
Shares issued	10	5	-	5
At 31 December 2013	2,427	1,214	-	1,214
Capitalised on scrip dividend	38	19	-	19
Shares issued	8	3	-	3
At 31 December 2014	2,473	1,236	-	1,236

2014

On 14 May 2014, the Company issued 36,260,040 new ordinary shares instead of the 2013 final dividend and on the 17 October 2014 the Company issued 1,315,836 new ordinary shares instead of the 2014 interim dividend.

During the year 7,736,568 shares were issued under employee share plans at prices between nil and 1,463 pence.

2013

On 13 May 2013, the Company issued 1,727,682 new ordinary shares instead of the 2012 final dividend and on 17 October 2013 the Company issued 2,081,685 new ordinary shares instead of the 2013 interim dividend.

During the year 10,542,375 new ordinary shares were issued under employee share plans at prices between nil and 1,463 pence.

Notes to the financial statements continued

20. Share capital, reserves and own shares continued

Own shares

Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust (the 1995 Trust), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes, and of the Standard Chartered 2004 Employee Benefit Trust (the 2004 Trust) which is an employee benefit trust used in conjunction with the Group's deferred bonus plan. The trustee has agreed to satisfy a number of awards made under the employee share schemes, the deferred bonus arrangements and fixed pay allowances delivered in shares through the relevant employee benefit trust. As part of these arrangements, Group companies fund the trusts, from time to time, to enable the trustee to acquire shares to satisfy these awards. All shares have been acquired through the London Stock Exchange.

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the company listed on The Stock Exchange of Hong Kong Limited during the year. Details of the shares purchased and held by the trusts are set out below.

Number of shares	1995 Trust		2004 Trust		Total	
	2014	2013	2014	2013	2014	2013
Shares purchased	4,090,094	4,855,145	1,306,188	790,829	5,396,282	5,645,974
Market price of shares purchased (\$ million)	84	133	26	21	110	154
Shares held at the end of the year	5,291,941	5,575,821	-	141,160	5,291,941	5,716,981
Maximum number of shares held during year					7,808,099	7,278,439

21. Restatement of prior year

Segmental information

In January 2014 the Group announced a change to its organisation structure effective 1 April 2014. In accordance with IFRS 8 *Segmental reporting*, the presentation of the Group accounts has been updated to reflect the Group's new client segments – Corporate and Institutional, Commercial, Private Banking and Retail.

On 29 May 2014, the Group announced the restated segmental information for Half Year and Full Year 2013 under the new client segments and global product groups and the new geographic regions. The table below shows the changes in these accounts to the Full Year 2013 restatements announced for the new client segments to enhance the comparability of information presented.

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

	2013				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
	\$million	\$million	\$million	\$million	\$million
Loans to customers – as announced	159,894	19,025	17,208	99,888	296,015
Loans to customers - as restated	160,906	17,802	17,159	100,148	296,015
Restatement	1,012	(1,223)	(49)	260	-

22. 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.

	2014	2013
	\$million	\$million
Contingent liabilities		
Guarantees and irrevocable letters of credit	33,318	36,936
Other contingent liabilities	9,214	10,002
	42,532	46,938
Commitments		
Documentary credits and short-term trade-related transactions	7,911	7,409
Forward asset purchases and forward deposits placed	78	459
Undrawn formal standby facilities, credit lines and other commitments to lend:		
One year and over	44,629	43,294
Less than one year	20,451	22,019
Unconditionally cancellable	105,325	119,445
	178,394	192,626

The Group's share of contingent liabilities and commitments relating to joint venture is \$336 million (2013: \$388 million).

Notes to the financial statements continued

23. Legal and regulatory matters

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.

The terms of settlements regarding US sanctions compliance reached with US authorities in 2012 include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering and Bank Secrecy Act 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 New York Department of Financial Services (NYDFS) Consent Order, the appointment of an independent monitor (the "Monitor").

On 19 August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies in the anti-money laundering 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; and (iv) a 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.

On 9 December 2014, the Group announced that the Department of Justice (DOJ), District Attorney of New York (DANY) and the Group had agreed to a three-year extension of the Deferred Prosecution Agreements entered into in 2012 (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 economic sanctions programme to reach the standard required by the DPAs. The DOJ agreement also indicates that the Group is co-operating with an investigation related to possible historical violations of US sanctions laws and regulations, but that additional time is needed for the authorities to complete the investigation and determine whether any violations have occurred. At the current stage of this investigation, the Group cannot predict the nature or timing of its outcome. There is a range of potential penalties for sanctions compliance violations, which could ultimately include substantial monetary penalties, additional compliance and remediation requirements and/or additional business restrictions.

The Group recognises that its compliance with historical, current and future sanctions, as well as AML and BSA requirements, and customer due diligence practices, not just in the US but throughout its footprint, is and will remain a focus of the relevant authorities.

As part of their remit to oversee market conduct, regulators and other agencies in certain markets are conducting investigations or requesting reviews into a number of areas of 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 co-operating 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 to mitigate higher risk business activities which could include divesting or closing businesses that exist beyond risk tolerances.

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.

Notes to the financial statements continued

24. Post balance sheet events**Tax**

On 3 December 2014, the UK government announced proposed legislation for banks, effective from 1 April 2015, to restrict the proportion of profits that can be offset by carried forward tax losses. The Group has a deferred tax asset of \$72 million which could be affected by the legislation.

At 31 December 2014, this change had not been substantively enacted and accordingly has not been reflected in this annual report. If the law had been enacted at the balance sheet date, management estimates that the profits available to utilise this asset would be restricted by 80 to 90 per cent.

Business closure and disposal

On 8 January 2015, the Group announced the closure of its institutional cash equities, equity research and equity capital markets, as the Group continues to exit or reconfigure non-core and underperforming businesses.

On 19 January 2015, the Group completed the disposal of Standard Chartered Savings Company Limited (disclosed as held for sale in note 14) to J. Trust Co. Limited after obtaining regulatory approval from the Financial Services Commission and other relevant authorities in South Korea.

25. Related party transactions**Directors and officers**

Details of directors' remuneration and interests in shares are disclosed in the Directors' remuneration report.

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 and the Court Directors of Standard Chartered Bank.

	2014 \$million	2013 \$million
Salaries, allowances and benefits in kind	28	25
Pension contributions	9	5
Bonuses paid or receivable	1	7
Share based payments	37	28
	75	65

Transactions with directors, officers and others

At 31 December 2014, 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:

	2014		2013	
	Number	\$million	Number	\$million
Directors	3	6	5	6

As at 31 December 2014, Standard Chartered Bank had created a charge over \$68 million (2013: \$60 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 of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the HK Listing Rules.

Associates

The Group has loans and advances to China Bohai Bank of \$89 million at 31 December 2014 (2013: \$20 million) and deposit takings of \$nil (2013: \$20 million) from China Bohai Bank. The Group has loans and advances to Clifford Capital Pte Limited totalling \$30 million at 31 December 2014 with loan commitments and other guarantees of \$50 million while Clifford Capital Pte Limited has deposits of \$4 million with the Group.

Except as disclosed, the Group did not have any other amounts due to or from associate investments.

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling \$118 million at 31 December 2014 (2013: \$31 million), and deposits of \$40 million (2013: \$31 million) while PT Bank Permata Tbk has deposits of \$18 million (2013: \$nil) with the Group.

The Group has an investment in subordinated debt issued by PT Bank Permata Tbk of \$120 million (2013: \$114 million).

Notes to the financial statements continued

26. Corporate governance

The directors confirm that, throughout the year ended 31 December 2014, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules, save that the Board Risk Committee is responsible for the oversight of internal control (other than internal control over financial reporting) and risk management systems (Hong Kong Corporate Governance Code provision C.3.3 paragraphs (f), (g) and (h)). If there were no Board Risk Committee, these matters would be the responsibility of the Audit Committee. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit Committee. The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Hong Kong Listing Rules and that the directors of the Company have complied with the required standards of the adopted code of conduct.

27. Statutory accounts

The financial information included within this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 were approved by the Board on 4 March 2015. These accounts will be published on 16 March 2015 after which they will be delivered to the Registrar of Companies in England and Wales. The report of the auditors on these accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

28. UK and Hong Kong accounting requirements

As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between EU endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards. EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the EU.

Standard Chartered PLC – Statement of directors’ responsibilities

The directors confirm that to the best of their knowledge:

- a) the consolidated financial information contained herein has been prepared in accordance with IFRSs as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- b) this announcement includes:
 - (i) an indication of important events that have occurred during the year ended 31 December 2014 and their impact on the consolidated financial statements, and a description of the principal risks and uncertainties; and
 - (ii) details of material related party transactions in the year ended 31 December 2014 and any material changes in the related party transactions described in the last annual report of the Group.

By order of the Board

A Halford
Group Finance Director
4 March 2015

Standard Chartered PLC – Additional information

A. Remuneration

The Group employed 90,940 staff at 31 December 2014 (2013: 86,640).

Performance and reward philosophy and principles

Our approach to performance, reward and benefits supports and drives our business strategy and reinforces our values in the context of a clearly articulated risk appetite.

Our approach:

- supports a strong performance-oriented culture, ensuring that individual reward and incentives relate directly to: (i) the performance and behaviour of the individual (ii) the performance of the business; and (iii) the interests of shareholders
- ensures a competitive reward package that reflects our international nature and enable us to attract, retain and motivate our employees
- reflects the fact that many of our employees bring international experience and expertise, and we recruit from a global marketplace
- encourages an appropriate mix of fixed and variable compensation based on (i) the individual's responsibility and (ii) the individual's risk profile and that of the business

Total remuneration is typically delivered via a combination of base salary and benefits plus variable compensation. Consistent with our pay for performance culture, our discretionary variable compensation incentives play an integral role in enabling us to recognise and reward superior performance and behaviour that support our values.

B. Summarised consolidated income statement

	1st half of 2014	2nd half of 2014	2014
First and second half of 2014	\$million	\$million	\$million
Interest income	8,603	8,381	16,984
Interest expense	(2,999)	(2,982)	(5,981)
Net interest income	5,604	5,399	11,003
Fees and commission income	2,284	2,367	4,651
Fees and commission expense	(223)	(249)	(472)
Net trading income ¹	954	942	1,896
Other operating income	635	621	1,256
Total non-interest income	3,650	3,681	7,331
Operating income	9,254	9,080	18,334
Staff costs	(3,454)	(3,334)	(6,788)
Premises costs	(441)	(469)	(910)
General administrative expenses ²	(875)	(1,833)	(2,708)
Depreciation and amortisation	(313)	(326)	(639)
Operating expenses	(5,083)	(5,962)	(11,045)
Operating profit before impairment losses and taxation	4,171	3,118	7,289
Impairment losses on loans and advances and other credit risk provisions	(846)	(1,295)	(2,141)
Other impairment:			
Goodwill Impairment	-	(758)	(758)
Other	(185)	(218)	(403)
Profit from associates and joint ventures	113	135	248
Profit before taxation	3,253	982	4,235
Taxation	(849)	(681)	(1,530)
Profit for the year	2,404	301	2,705
Profit attributable to:			
Non-controlling interests	44	48	92
Parent company shareholders	2,360	253	2,613
Profit for the year	2,404	301	2,705
Earnings per share:			
Basic earnings per ordinary share (cents)	94.6	8.3	102.2
Diluted earnings per ordinary share (cents)	94.0	8.2	101.6

¹ Includes own credit adjustment charge of \$15 million in the first half of 2014 and benefit of \$115 million in the second half of 2014, taking the full year benefit to \$100 million (2013: \$106 million)

² The second half of the 2014 includes a net charge of \$366 million (2013 second half: \$235 million) relating to the UK bank levy

Financial calendar

Financial Calendar

Results and dividend announced	4 March 2015
Ex-dividend date - Hong Kong	11 March 2015
Ex-dividend date - United Kingdom	12 March 2015
Record date for dividend	13 March 2015
Last date to elect for share dividend or to change standing instructions	23 April 2015
Annual General Meeting	6 May 2015
Dividend payment date	14 May 2015

Copies of this statement are available from:

Investor Relations, Standard Chartered PLC, 1 Basinghall Avenue, London, EC2V 5DD or on our website at <http://investors.sc.com>

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The following information for the Full Year Results 2014 will be available on our website:

The Video interviews with Peter Sands, Group Chief Executive and Andy Halford, Group Finance Director

The Analyst presentation in pdf format

The Webcast of the live analyst presentation in London with Q&A

A Podcast of analyst presentation

Images of our Board of directors and senior management are available for the media at <http://www.sc.com/en/about-us/our-people/index.html>

Information regarding the Group's commitment to Sustainability is available at <http://www.sc.com/sustainability>

Standard Chartered PLC – Forward looking statements and Basis of preparation

Forward looking statements

It is possible that this document could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Disclaimer

The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") and may not be offered, sold or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. No public offering of the Placing Shares will be made in the United States.

Basis of preparation

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

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

Geographic presentation of results

The Group operates a number of central booking locations, primarily in the ASEAN and Europe regions. Lending financially booked in these locations may not correspond to the location of the customers or to the country of credit responsibility (as defined on page 34). We have used the following bases for disclosures across this report:

- Within the geographic disclosures in the "Financial review" (pages 25 to 31) and in note 2 to the Financial statements (pages 72 to 71) Loans and Advances to Customers are reported based on the location of the customer
- The specific country disclosures within the "Risk overview" section (pages 34 to 36) of the "Risk review" are based on the Country of credit risk responsibility, i.e. primary country of parent entity and on a net exposure basis (as defined on page 34)
- Within the geographic disclosures in the "Risk profile" section (pages 41 to 43) and the "Capital" section (pages 60) of the "Risk and Capital review" Loans and Advances to Customers and Risk Weighted Assets are reported based on the financial booking location

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