

## Standard Chartered PLC – Performance highlights

### Commenting on these results, Bill Winters, Group Chief Executive, said:

“While 2015 performance was poor, the actions we took on capital throughout last year and in particular in December have positioned us strongly for the current macro environment. We have a balance sheet that is resilient and we are in the right markets. We have identified our risk issues, and we are dealing with them assertively. We are making good progress on executing our strategy, creating a bank that will generate improved financial performance over time following from our improved cost efficiency, tightened risk controls, and focus on our many core advantages.”

### Financial performance summary

- Underlying profit before tax of \$0.8 billion, down 84 per cent, reflecting challenging market conditions and strategic management actions
- Underlying operating income of \$15.4 billion, down 15 per cent:
  - One-quarter of the decline resulted from lower exchange rates against the US dollar
  - One-quarter resulted from business exits, disposals, and de-risking
  - One-quarter related to lower commodity prices and mark-to-market valuations
  - One-quarter related to lower levels of business activity
- Underlying operating costs, excluding the bank levy and regulatory costs, of \$9.0 billion, down 7 per cent
- Underlying loan impairment of \$4.0 billion, up 87 per cent:
  - Around 40 per cent related to a number of exposures beyond our tightened risk tolerance
  - The balance was mainly driven by falling commodity prices and deterioration in financial markets in India
- Reported loss before tax of \$1.5 billion after taking:
  - Restructuring charges of \$1.8 billion, within the \$3 billion indicated in November 2015, covering redundancy costs, impairments and a goodwill write down
  - A broadly capital neutral credit and funding valuation adjustment of \$863 million in the fourth quarter
  - A positive own credit adjustment of \$495 million
  - A gain on sale of businesses in the period of \$218 million
  - Goodwill impairment of \$362 million related to Taiwan
- Normalised basic earnings per share of (6.6) cents (2014: 138.9 cents)
- Normalised return on ordinary shareholders' equity of (0.4) per cent (2014: 7.8 per cent)
- The Board confirms its earlier decision not to declare a final dividend for 2015

### The Group is strongly capitalised with a highly liquid balance sheet

- Strong Common Equity Tier 1 (CET1) ratio of 12.6 per cent
- Expect the CET1 ratio to be toward the top end of the 12-13% target range as we release around \$20 billion risk-weighted assets (RWA) through the eventual liquidation of exposures beyond our tightened risk tolerance
- Well positioned for the introduction of the minimum requirement for own funds and eligible liabilities (MREL) at approximately 24 per cent
- Liquidity coverage ratio and net stable funding ratio both above 100 per cent
- Liquid asset ratio of 30.9 per cent (2014: 32.2 per cent)
- Advances to deposits ratio of 72.8 per cent (2014: 69.7 per cent)
- Disciplined balance sheet management:
  - Customer loans and advances down 9 per cent to \$261.4 billion;
  - RWAs down 11 per cent to \$302.9 billion and;
  - Customer deposits down 13 per cent to \$359.1 billion as we focused on high-quality liabilities

### Comprehensive programme of management actions

- We are making good progress on executing our strategy
- Hired a new Chief Risk Officer and new Head of Corporate and Institutional Banking
- Delivered annualised cost efficiencies of \$0.6 billion, including \$0.2 billion from business exits
- We have commenced our programme to deliver future cost efficiencies of \$2.3 billion over the next 3 years
- Early progress in restructuring more than \$100 billion RWAs, including actively managing the liquidation portfolio which represents 3 per cent of the Group's loans and advances to customers
- Commenced implementation of our multi-year investment programme

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

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

## Standard Chartered PLC – Chairman’s statement

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

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

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

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

### Board changes

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

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

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

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

## Standard Chartered PLC – Chairman’s statement

### Dividend

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

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

### People and pay

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

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

### Summary

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

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

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

**Sir John Peace**

Chairman

23 February 2016

# Standard Chartered PLC – Summary of results

## For the year ended 31 December 2015

|   | 2015<br>\$million | 2014<br>\$million |
|---|-------------------|-------------------|
| <b>Results</b>  |                   |                   |
| Operating income <sup>1</sup>   | 15,439            | 18,236            |
| Impairment losses on loans and advances and other credit risk provisions <sup>2</sup> | (4,008)           | (2,141)           |
| Other impairment <sup>3</sup>   | (311)             | (403)             |
| Goodwill impairment <sup>3</sup>  | (362)             | (758)             |
| Underlying profit before taxation <sup>1,4</sup>                                      | 834               | 5,195             |
| (Loss)/profit before taxation   | (1,523)           | 4,235             |
| (Loss)/profit attributable to parent company shareholders                             | (2,194)           | 2,613             |
| (Loss)/profit attributable to ordinary shareholders <sup>5</sup>                      | (2,360)           | 2,512             |
| <b>Balance sheet</b>  |                   |                   |
| Total assets  | 640,483           | 725,914           |
| Total equity  | 48,512            | 46,738            |
| Loans and advances to customers   | 261,403           | 288,599           |
| Customer deposits   | 359,127           | 414,189           |
| Total capital base  | 59,021            | 57,099            |
| <b>Information per ordinary share</b>   |                   |                   |
|   | Cents             | Cents             |
| Earnings per share – basic normalised <sup>6</sup>                                    | (6.6)             | 138.9             |
| – basic   | (91.9)            | 97.3              |
| Dividend per share <sup>7</sup>   | 13.7              | 81.9              |
| Net asset value per share   | 1,366.0           | 1,833.6           |
| Tangible net asset value per share  | 1,224.1           | 1,610.9           |
| <b>Ratios</b>   |                   |                   |
| Return on ordinary shareholders' equity – normalised basis <sup>6</sup>               | (0.4)%            | 7.8%              |
| Advances to deposits ratio  | 72.8%             | 69.7%             |
| Liquid asset ratio  | 30.9%             | 32.2%             |
| Cost to income ratio – normalised basis <sup>6</sup>                                  | 67.8%             | 58.9%             |
| Capital ratios  |                   |                   |
| Common Equity Tier 1 (end point)  | 12.6%             | 10.7%             |
| Total capital   | 19.5%             | 16.7%             |
| Leverage ratio  | 5.5%              | 4.5%              |

<sup>1</sup> Excludes \$495 million (2014: \$100 million) benefit relating to own credit adjustment, \$218 million net gain (2014: \$2 million net loss) on businesses sold/hold for sale and \$863 million charge relating to the change in the methodology for estimating credit and funding valuation adjustments in 2015

<sup>2</sup> Excludes \$968 million charge relating to restructuring

<sup>3</sup> Other impairment and Goodwill impairment exclude impairment relating to restructuring actions of \$56 million and \$126 million respectively

<sup>4</sup> Excludes \$1,845 million relating to restructuring charge and \$362 million of goodwill impairment (2014: \$758 million of goodwill impairment and \$300m on civil monetary penalty)

<sup>5</sup> (Loss)/profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares and Additional Tier 1 capital classified as equity (see note 11 on page 33)

<sup>6</sup> Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 12 on page 34. The 2014 comparatives for EPS have been adjusted for the impact of bonus element included in the November 2015 Rights issue

<sup>7</sup> Represents the total dividend per share for the respective years together with the interim dividend per share declared and paid in those years. The 2014 Dividend Per Shares has been adjusted for the impact of bonus element included in the November 2015 Rights issue. Further details are set out in note 11 on page 33

## Standard Chartered PLC – Group Chief Executive’s review

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

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

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

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

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

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

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

### Securing the foundations

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

- In July 2015, we reorganised the Group around a new and simpler organisation structure, stripping out duplication and inefficiency and shifting greater accountability for performance to business and regional managers. While this simplification substantially reduces our cost base, the primary benefit is our ability to clarify accountability and improve decision-making speed and quality
- The Management Team was completed with the hiring of Mark Smith as the new Group Chief Risk Officer in January 2016, and Simon Cooper who joins to Head our Corporate and Institutional Banking business in April 2016. Both Mark and Simon have significant global experience and deep knowledge of our businesses
- With strong shareholder support of our rights issue, we strengthened our financial position, delivering a Common Equity Tier 1 (CET1) capital ratio of 12.6 per cent, temporarily suppressed by our restructuring initiatives, a liquid asset ratio of 30.9 per cent and a leverage ratio of 5.5 per cent

## Standard Chartered PLC – Group Chief Executive’s review

- We outlined a tightened risk tolerance covering every area of the Group, including operational risk, conduct risk, market risk and credit risk. As a result we identified a portfolio of around \$20 billion of risk-weighted assets (RWAs) that includes a small number of exposures that have, over recent years, made the Group more sensitive to idiosyncratic risks. These positions are being assertively managed out. With exposures that are more diverse and less concentrated, the remaining portfolio should be less sensitive to adverse economic and credit cycles
- We have made progress on identifying and optimising \$50 billion of low-returning relationship RWAs in Corporate and Institutional Banking and Commercial Banking. Early indications suggest that a significant proportion of these relationships can be retained at materially improved returns. We are aiming to complete this exercise within the next 18-24 months
- Finally, we highlighted two markets for specific focus. One is Indonesia where we will continue to explore the best way to achieve a single, properly scaled entity, via the merger of our two entities or through selling one or the other. The second is Korea, where we launched a Special Retirement Plan covering over 1,000 staff exits with annualised savings of over \$100 million per annum. We have also started to reshape our branch network through our new association with Shinsegae. Our returns in Korea remain challenging but we are determined to reduce our losses there and return the business to profitability.

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

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

### Getting lean and focused

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

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

### Building returns in Corporate and Institutional Banking

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

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

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

## Standard Chartered PLC – Group Chief Executive’s review

### Overhauling Commercial Banking

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

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

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

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

### Transforming Retail Banking

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

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

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

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

### Investing in Private Banking and Wealth Management

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



## Standard Chartered PLC – Group Chief Executive’s review

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

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

### Establishing best-in-class control and conduct capabilities

Our commitment to improve our conduct and controls is factored into every strategic and operational decision we make. We are on the front line in the fight against financial crime and take this responsibility most seriously. We have invested significant amounts in people and into our underlying conduct and compliance infrastructure with a total cost in 2015 of over \$1 billion, up 40 per cent year-on-year. We continue to cooperate fully with the US authorities and the Financial Conduct Authority in their ongoing investigations. As we stated in November 2015, we remain unable to determine when these investigations will conclude or the size of any potential fines that might result. We will provide further updates in due course.

### Summary and outlook

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

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

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

Bill Winters  
Group Chief Executive  
23 February 2016

## Standard Chartered PLC – Group Chief Financial Officer’s review

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

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

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

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

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

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

# Standard Chartered PLC – Group Chief Financial Officer’s review

## Performance summary

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

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

<sup>2</sup> Not meaningful

<sup>3</sup> Restated for the impact of the bonus element included within 2015 right issue in line with the restatement of prior year earnings per share amounts required by IAS 33

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

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

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

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

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

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

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

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

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

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

### Client segment income

|                                   | 2015<br>\$ million <sup>1</sup> | 2014<br>\$ million <sup>2</sup> | Better /<br>(worse)<br>\$million | Better /<br>(worse)% |
|-----------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------|
| Corporate & Institutional Clients | 8,696                           | 10,431                          | (1,735)                          | (17)                 |
| Commercial Clients                | 826                             | 1,183                           | (357)                            | (30)                 |
| Private Banking Clients           | 557                             | 612                             | (55)                             | (9)                  |
| Retail Clients                    | 5,360                           | 6,010                           | (650)                            | (11)                 |
| <b>Total Operating Income</b>     | <b>15,439</b>                   | <b>18,236</b>                   | <b>(2,797)</b>                   | <b>(15)</b>          |

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

<sup>2</sup> Excludes \$100 million benefit relating to own credit adjustment (Corporate & Institutional), \$2 million net loss on businesses sold/held for sale (Retail)

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

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

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

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

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

### Product Income

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

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

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

- Transaction Banking income fell 12 per cent with Trade income down 19 per cent and Cash Management and Custody income down 4 per cent. Lower income was driven by weak global demand for trade, declining commodity prices and abundant liquidity in our key markets, placing increased pressure on margins. Foreign exchange had a particular impact on Transaction Banking with income down 8 per cent on a constant currency basis
- Financial Markets income was down 19 per cent impacted by further negative mark-to-market revaluations on Capital Markets loan positions. Excluding these revaluations, Financial Markets income was down 11 per cent driven by reductions in Commodity and Foreign Exchange Options income. This was partially offset by income growth in Rates, up 6 per cent, and Cash Foreign Exchange, up 2 per cent
- Corporate Finance income fell 14 per cent due to challenging market environment in the footprint, higher competition due to excess liquidity and focus on selective asset origination. This resulted in pricing pressures and lower origination levels in our financing businesses
- Lending and Portfolio Management income was down 18 per cent driven by a decline in lending balances resulting from return optimisation activities coupled with lower margins
- Wealth Management income rose 2 per cent year-on-year. Strong growth in the first half was largely offset by slower momentum in the second half due to client exits in Private Banking as we managed the segment within tighter risk tolerances, more volatile equity markets and the RMB devaluation

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- Retail Products income declined 15 per cent due to adverse foreign currency translation, planned de-risking in unsecured products, and margin compression
- Asset and Liability Management decreased by 35 per cent due to lower accruals income partially offset by an increase in gains from liquidation of available-for-sale holdings
- Principal Finance income declined 78 per cent primarily impacted by weak equity markets leading to higher fair value losses in investments and lower realised gains on exits.

### Expenses

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

<sup>1</sup> Excluding restructuring costs and the civil monetary penalty in 2014

<sup>2</sup> See note 12

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

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

### Impairment

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

<sup>1</sup> Excludes \$968 million relating to restructuring actions

<sup>2</sup> not meaningful

<sup>3</sup> Excludes \$56 million relating to restructuring actions

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

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

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

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

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

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

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

<sup>1</sup>Including portfolio impairment provision

<sup>2</sup>Adjusted to exclude the impact of over collateralisation

<sup>3</sup>On loans and advances to customers excluding banks

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

- Gross non-performing loans (NPLs) increased from \$7.5 billion at the end of 2014 to \$9.5 billion as at 30 September 2015 and have further increased on an underlying basis to \$9.8 billion as at 31 December 2015. As part of the creation of the liquidation portfolio a further \$3.0 billion was downgraded from credit grade 12 (CG12) to NPLs pending disposal of these exposures giving total NPLs as at 31 December 2015 of \$12.8 billion. The aggregate NPLs and CG12 balances increased from \$13.1 billion to \$14.1 billion over the course of the year
- The changes in both the CG12 accounts and NPLs were mainly due to downgrading an interconnected group of exposures within the liquidation portfolio from CG12 to NPLs. Impairment against this group of exposures has been included in the restructuring charges based on the assessment of likely recoverable amounts
- We are making progress towards resolving the liquidation portfolio. However, as we execute on the liquidations we may require further impairments in 2016
- The cover ratio on our ongoing Corporate & Institutional Clients and Commercial Clients businesses has increased to 59 per cent, or to 70 per cent after including collateral
- Corporate & Institutional Clients NPL inflows from ongoing businesses slowed in the fourth quarter of 2015 when compared with the previous two quarters with the vast majority of new NPL inflows coming from accounts that have been on early alert for more than 12 months. While encouraging, a single quarter does not make for trend
- Total exposure to the Group’s top 20 corporate clients as a proportion of Tier 1 Capital has reduced from 83 per cent to 61 per cent as we manage down concentrated exposures

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### Further detail on restructuring charge taken in the year

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

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

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

### Further detail on the liquidation portfolio

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

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

<sup>1</sup> Including portfolio impairment provision

<sup>2</sup> Excluding portfolio impairment provision

### Group balance sheet inclusive of the liquidation portfolio

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

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

Customer loans and advances were down 9 per cent as we focused on disciplined balance sheet management and more selective asset origination. Customer deposits were down 13 per cent as we concentrated on lower



## Standard Chartered PLC – Group Chief Financial Officer’s review

cost sources of funding, running down less attractive liabilities and investing in businesses, such as Cash Management and Custody that generate valuable liquidity. Currency depreciation against the US dollar impacted the balance sheet in the period. Excluding the impact of foreign exchange, customer loans and advances were down 6 per cent and customer deposits down 11 per cent.

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

### Risk-weighted assets – inclusive of the liquidation portfolio

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

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

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

### Capital base and ratios – inclusive of the liquidation portfolio

|   | 2015<br>\$million | 2014<br>\$million  |
|---|-------------------|--------------------|
| Common Equity Tier 1 capital                | 38,182            | 36,013             |
| Additional Tier 1 capital (AT1) instruments | 4,591             | 2,786              |
| Total Tier 1 capital                        | 42,773            | 38,799             |
| Total Tier 2 capital                        | 16,248            | 18,300             |
| Total capital                               | 59,021            | 57,099             |
| Common Equity Tier 1 ratio                  | 12.6%             | 10.7% <sup>1</sup> |
| Total capital ratio                         | 19.5%             | 16.7%              |
| Leverage ratio                              | 5.5%              | 4.5%               |

<sup>1</sup> 2014 end point Common Equity Tier 1 ratio

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

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

## **Standard Chartered PLC – Group Chief Financial Officer’s review**

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

### **Summary and outlook**

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

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

### **Andy Halford**

Group Chief Financial Officer

23 February 2016

# Standard Chartered PLC

## Consolidated income statement

For the year ended 31 December 2015

|  | Notes | 2015<br>\$million | 2014<br>\$million |
|--|-------|-------------------|-------------------|
| Interest income  |       | 14,613            | 16,984            |
| Interest expense   |       | (5,206)           | (5,981)           |
| <b>Net interest income</b>   |       | <b>9,407</b>      | <b>11,003</b>     |
| Fees and commission income   |       | 4,088             | 4,651             |
| Fees and commission expense  |       | (481)             | (472)             |
| Net trading income   | 6     | 912               | 1,896             |
| Other operating income   | 7     | 1,363             | 1,256             |
| <b>Non-interest income</b>   |       | <b>5,882</b>      | <b>7,331</b>      |
| <b>Operating income</b>  |       | <b>15,289</b>     | <b>18,334</b>     |
| Staff costs  |       | (7,119)           | (6,788)           |
| Premises costs   |       | (831)             | (910)             |
| General administrative expenses  |       | (2,559)           | (2,708)           |
| Depreciation and amortisation  |       | (664)             | (639)             |
| <b>Operating expenses</b>  |       | <b>(11,173)</b>   | <b>(11,045)</b>   |
| <b>Operating profit before impairment losses and taxation</b>            |       | <b>4,116</b>      | <b>7,289</b>      |
| Impairment losses on loans and advances and other credit risk provisions | 8     | (4,976)           | (2,141)           |
| Other impairment   |       |                   |                   |
| Goodwill   | 9     | (488)             | (758)             |
| Other  | 9     | (367)             | (403)             |
| Profit from associates and joint ventures                                |       | 192               | 248               |
| <b>(Loss)/profit before taxation</b>                                     |       | <b>(1,523)</b>    | <b>4,235</b>      |
| Taxation   | 10    | (673)             | (1,530)           |
| <b>(Loss)/profit for the year</b>  |       | <b>(2,196)</b>    | <b>2,705</b>      |

(Loss)/profit attributable to:

|                                   |  |                |              |
|-----------------------------------|--|----------------|--------------|
| Non-controlling interests         |  | (2)            | 92           |
| Parent company shareholders       |  | (2,194)        | 2,613        |
| <b>(Loss)/profit for the year</b> |  | <b>(2,196)</b> | <b>2,705</b> |

|  |    | Cents  | Cents              |
|--|----|--------|--------------------|
| <b>Earnings per share:</b>                 |    |        |                    |
| Basic (loss)/earnings per ordinary share   | 12 | (91.9) | 97.3 <sup>1</sup>  |
| Diluted (loss)/earnings per ordinary share | 12 | (91.9) | 96.7 <sup>1</sup>  |
| <b>Dividends per ordinary share :</b>      |    |        |                    |
| Interim dividends paid                     | 11 | 14.40  | 27.41 <sup>1</sup> |
| Final proposed dividend                    | 11 | -      | 54.44 <sup>1</sup> |

|                              |    | \$million | \$million |
|------------------------------|----|-----------|-----------|
| <b>Total dividend:</b>       |    |           |           |
| Interim dividend paid        | 11 | 366       | 710       |
| Final proposed/paid dividend | 11 | -         | 1,412     |

<sup>1</sup> Restated for the impact of the 2015 rights issue

# Standard Chartered PLC

## Consolidated statement of comprehensive income

For the year ended 31 December 2015

|   | Notes | 2015<br>\$million | 2014<br>\$million |
|---|-------|-------------------|-------------------|
| <b>(Loss)/profit for the year</b>                                       |       | <b>(2,196)</b>    | 2,705             |
| <b>Other comprehensive (loss)/income:</b>                               |       |                   |                   |
| <b>Items that will not be reclassified to income statement:</b>         |       |                   |                   |
| Actuarial losses on retirement benefit obligations                      |       | (57)              | (61)              |
| <b>Items that may be reclassified subsequently to income statement:</b> |       |                   |                   |
| Exchange differences on translation of foreign operations:              |       |                   |                   |
| Net losses taken to equity  |       | (2,003)           | (1,090)           |
| Net gains on net investment hedges                                      |       | 90                | 20                |
| Share of other comprehensive income from associates and joint ventures  |       | -                 | 17                |
| Available-for-sale investments:   |       |                   |                   |
| Net valuation (losses)/gains taken to equity                            |       | (57)              | 479               |
| Reclassified to income statement  |       | (328)             | (423)             |
| Cash flow hedges:   |       |                   |                   |
| Net losses taken to equity  |       | (71)              | (116)             |
| Reclassified to income statement  |       | 107               | 13                |
| Taxation relating to components of other comprehensive (loss)/income    | 10    | 25                | (22)              |
| Other comprehensive loss for the year, net of taxation                  |       | (2,294)           | (1,183)           |
| <b>Total comprehensive (loss)/income for the year</b>                   |       | <b>(4,490)</b>    | 1,522             |
| <b>Total comprehensive (loss)/income attributable to:</b>               |       |                   |                   |
| Non-controlling interests   |       | (40)              | 63                |
| Parent company shareholders   |       | (4,450)           | 1,459             |
|   |       | <b>(4,490)</b>    | 1,522             |

# Standard Chartered PLC

## Consolidated balance sheet

As at 31 December 2015

|   | 2015<br>\$million | 2014<br>\$million |
|---|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |
| Cash and balances at central banks                              | 65,312            | 97,282            |
| Financial assets held at fair value through profit or loss      | 23,401            | 32,623            |
| Derivative financial instruments                                | 63,143            | 65,834            |
| Loans and advances to banks                                     | 64,494            | 83,890            |
| Loans and advances to customers                                 | 257,356           | 284,695           |
| Investment securities   | 114,767           | 104,238           |
| Other assets  | 34,601            | 38,689            |
| Current tax assets  | 388               | 362               |
| Prepayments and accrued income                                  | 2,174             | 2,647             |
| Interests in associates and joint ventures                      | 1,937             | 1,962             |
| Goodwill and intangible assets                                  | 4,642             | 5,190             |
| Property, plant and equipment                                   | 7,209             | 7,984             |
| Deferred tax assets   | 1,059             | 518               |
| <b>Total assets</b>   | <b>640,483</b>    | <b>725,914</b>    |
| <b>Liabilities</b>  |                   |                   |
| Deposits by banks   | 37,611            | 54,391            |
| Customer accounts   | 350,633           | 405,353           |
| Financial liabilities held at fair value through profit or loss | 20,872            | 22,390            |
| Derivative financial instruments                                | 61,939            | 63,313            |
| Debt securities in issue  | 59,880            | 71,951            |
| Other liabilities   | 32,011            | 31,237            |
| Current tax liabilities   | 769               | 891               |
| Accruals and deferred income                                    | 5,451             | 5,915             |
| Subordinated liabilities and other borrowed funds               | 21,852            | 22,947            |
| Deferred tax liabilities  | 293               | 246               |
| Provisions for liabilities and charges                          | 215               | 129               |
| Retirement benefit obligations                                  | 445               | 413               |
| <b>Total liabilities</b>  | <b>591,971</b>    | <b>679,176</b>    |
| <b>Equity</b>   |                   |                   |
| Share capital   | 1,639             | 1,236             |
| Share premium   | 5,449             | 5,482             |
| Other reserves  | 12,182            | 9,690             |
| Retained earnings   | 26,934            | 30,024            |
| <b>Total parent company shareholders' equity</b>                | <b>46,204</b>     | <b>46,432</b>     |
| Other equity instruments  | 1,987             | -                 |
| <b>Total equity excluding non-controlling interests</b>         | <b>48,191</b>     | <b>46,432</b>     |
| Non-controlling interests                                       | 321               | 306               |
| <b>Total equity</b>   | <b>48,512</b>     | <b>46,738</b>     |
| <b>Total equity and liabilities</b>                             | <b>640,483</b>    | <b>725,914</b>    |

# Standard Chartered PLC

## Consolidated statement of changes in equity

For the year ended 31 December 2015

|  | Share capital and share premium account | Other equity instruments | Capital and capital redemption reserve <sup>1</sup> | Merger reserve | Available-for-sale reserve | Cash flow hedge reserve | Translation reserve | Retained earnings | Parent company shareholders' equity | Non-controlling interests | Total         |
|--|---|--------------------------|---|----------------|----------------------------|-------------------------|---------------------|-------------------|-------------------------------------|---------------------------|---------------|
|  | \$million                               | \$million                | \$million   | \$million      | \$million                  | \$million               | \$million           | \$million         | \$million                           | \$million                 | \$million     |
| At 1 January 2014                                | 6,707                                   | -                        | 18  | 12,421         | 446                        | 15                      | (2,106)             | 28,745            | 46,246                              | 595                       | 46,841        |
| Profit for the year                              | -                                       | -                        | -   | -              | -                          | -                       | -                   | 2,613             | 2,613                               | 92                        | 2,705         |
| Other comprehensive income/(loss)                | -                                       | -                        | -   | -              | 10                         | (72)                    | (1,042)             | (50) <sup>2</sup> | (1,154)                             | (29)                      | (1,183)       |
| Distributions                                    | -                                       | -                        | -   | -              | -                          | -                       | -                   | -                 | -                                   | (60)                      | (60)          |
| Shares issued, net of expenses                   | 11                                      | -                        | -   | -              | -                          | -                       | -                   | -                 | 11                                  | -                         | 11            |
| Net own shares adjustment                        | -                                       | -                        | -   | -              | -                          | -                       | -                   | (93)              | (93)                                | -                         | (93)          |
| Share option expense, net of taxation            | -                                       | -                        | -   | -              | -                          | -                       | -                   | 247               | 247                                 | -                         | 247           |
| Dividends, net of scrip                          | -                                       | -                        | -   | -              | -                          | -                       | -                   | (1,451)           | (1,451)                             | -                         | (1,451)       |
| Other increases/(decreases) <sup>3</sup>         | -                                       | -                        | -   | -              | -                          | -                       | -                   | 13                | 13                                  | (292)                     | (279)         |
| As at 31 December 2014                           | <b>6,718</b>                            | -                        | <b>18</b>   | <b>12,421</b>  | <b>456</b>                 | <b>(57)</b>             | <b>(3,148)</b>      | <b>30,024</b>     | <b>46,432</b>                       | <b>306</b>                | <b>46,738</b> |
| Loss for the year                                | -                                       | -                        | -   | -              | -                          | -                       | -                   | (2,194)           | (2,194)                             | (2)                       | (2,196)       |
| Other comprehensive (loss) /income               | -                                       | -                        | -   | -              | (324)                      | 11                      | (1,878)             | (65) <sup>2</sup> | (2,256)                             | (38)                      | (2,294)       |
| Distributions                                    | -                                       | -                        | -   | -              | -                          | -                       | -                   | -                 | -                                   | (26)                      | (26)          |
| Shares issued, net of expenses                   | 370                                     | -                        | -   | 4,683          | -                          | -                       | -                   | -                 | 5,053                               | -                         | 5,053         |
| Other equity instruments issued, net of expenses | -                                       | 1,987                    | -   | -              | -                          | -                       | -                   | -                 | 1,987                               | -                         | 1,987         |
| Net own shares adjustment                        | -                                       | -                        | -   | -              | -                          | -                       | -                   | (58)              | (58)                                | -                         | (58)          |
| Share option expense, net of taxation            | -                                       | -                        | -   | -              | -                          | -                       | -                   | 148               | 148                                 | -                         | 148           |
| Dividends, net of scrip                          | -                                       | -                        | -   | -              | -                          | -                       | -                   | (921)             | (921)                               | -                         | (921)         |
| Other increases <sup>4</sup>                     | -                                       | -                        | -   | -              | -                          | -                       | -                   | -                 | -                                   | 81                        | 81            |
| As at 31 December 2015                           | <b>7,088</b>                            | <b>1,987</b>             | <b>18</b>   | <b>17,104</b>  | <b>132</b>                 | <b>(46)</b>             | <b>(5,026)</b>      | <b>26,934</b>     | <b>48,191</b>                       | <b>321</b>                | <b>48,512</b> |

<sup>1</sup> Includes capital reserve of \$5 million and capital redemption reserve of \$13 million

<sup>2</sup> Comprises actuarial loss, net of taxation and non-controlling interests of \$67 million (2014: \$47 million)

<sup>3</sup> Redemption of \$300 million 7.267% Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited

<sup>4</sup> Additional investment from non-controlling interests in one of the Group's subsidiary undertakings

# Standard Chartered PLC

## Consolidated cash flow statement

For the year ended 31 December 2015

|   | Notes | 2015<br>\$million | 2014<br>\$million |
|---|-------|-------------------|-------------------|
| <b>Cash flows from operating activities</b>   |       |                   |                   |
| (Loss)/profit before taxation   |       | (1,523)           | 4,235             |
| Adjustments for non-cash items and other adjustments included within income statement                         |       | 6,949             | 4,470             |
| Change in operating assets  |       | 36,819            | (13,657)          |
| Change in operating liabilities   |       | (70,244)          | 59,321            |
| Contributions to defined benefit schemes  |       | (109)             | (98)              |
| UK and overseas taxes paid  |       | (1,285)           | (1,708)           |
| <b>Net cash (used in)/from operating activities</b>   |       | <b>(29,393)</b>   | <b>52,563</b>     |
| <b>Cash flows from investing activities</b>   |       |                   |                   |
| Purchase of property, plant and equipment   |       | (137)             | (189)             |
| Disposal of property, plant and equipment   |       | 109               | 67                |
| Acquisition of investment in subsidiaries, associates and joint ventures, net of cash acquired                |       | 667               | (64)              |
| Purchase of investment securities   |       | (209,519)         | (196,054)         |
| Disposal and maturity of investment securities  |       | 195,457           | 192,055           |
| Dividends received from associates and joint ventures   |       | 12                | 13                |
| <b>Net cash used in investing activities</b>  |       | <b>(13,411)</b>   | <b>(4,172)</b>    |
| <b>Cash flows from financing activities</b>   |       |                   |                   |
| Issue of ordinary and preference share capital, net of expenses   |       | 5,053             | 11                |
| Issue of Additional Tier 1 capital, net of expenses   |       | 1,987             | -                 |
| Purchase of own shares  |       | (68)              | (110)             |
| Exercise of share options through ESOP  |       | 10                | 17                |
| Interest paid on subordinated liabilities   |       | (1,082)           | (1,090)           |
| Gross proceeds from issue of subordinated liabilities   |       | -                 | 4,684             |
| Repayment of subordinated liabilities   |       | (5)               | (2,114)           |
| Investment/(repayment) to non-controlling interests   |       | 82                | (298)             |
| Interest paid on senior debts   |       | (584)             | (740)             |
| Gross proceeds from issue of senior debts   |       | 5,388             | 6,579             |
| Repayment of senior debts   |       | (6,947)           | (6,408)           |
| Dividends paid to non-controlling interests, Additional Tier 1 securities holders and preference shareholders |       | (192)             | (161)             |
| Dividends paid to ordinary shareholders, net of scrip   |       | (755)             | (1,350)           |
| <b>Net cash from/(used in) financing activities</b>   |       | <b>2,887</b>      | <b>(980)</b>      |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   |       | <b>(39,917)</b>   | <b>47,411</b>     |
| Cash and cash equivalents at beginning of year  |       | 129,870           | 84,156            |
| Effect of exchange rate movements on cash and cash equivalents  |       | (1,525)           | (1,697)           |
| <b>Cash and cash equivalents at end of year</b>   |       | <b>88,428</b>     | <b>129,870</b>    |

# Standard Chartered PLC – Notes to the financial statements

## 1. Accounting Policies

### (a) Statement of compliance

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

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU). EU endorsed IFRS may differ from IFRS published by the International Accounting Standards Board (IASB) if a standard has not been endorsed by the EU.

At 31 December 2015, there were no unendorsed standards effective for the year ended 31 December 2015 affecting these consolidated financial statements and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Group.

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.

There were no new standards applied during the year ended 31 December 2015.

### (b) Basis of preparation

The basis of preparation and summary of significant accounting policies applicable to these consolidated financial statements can be found in Note 1 in the Annual Report and Accounts 2015.

#### Impact of revision of credit valuation adjustment and funding valuation adjustment methodology

The Group enhanced its methodology for estimating the credit valuation adjustment (CVA) for derivatives as at 31 December 2015. Previously, the CVA calculation was based on an expected counterparty loss calculation using historical default probabilities, whereas the enhanced methodology uses market-implied default probabilities. In addition, the funding valuation adjustment (FVA) was also enhanced moving from bank internal funding rates to market-based rates. The net effect of the changes in estimate reduced net trading income by \$863 million. It is impracticable to estimate the effect of the changes in fair value estimates on future periods.

#### Credit valuation adjustments

The Group makes a credit valuation adjustment (CVA) against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by applying the probability of default (PD) on the potential estimated future positive exposure of the counterparty using market-implied PD. Where market-implied data is not readily available, we use market based proxies to estimate the PD. The methodologies do not, in general, account for 'wrong-way risk'. Wrong-way risk arises when the underlying value of the derivative prior to any CVA is positively correlated to the probability of default by the counterparty. The Group continues to include 'wrong-way risk' in its Prudential Valuation Adjustments. The CVA calculation was previously based on an expected counterparty loss calculation using historical default probabilities. As at 31 December 2015, the calculation was revised to use market-implied PD. The change in estimate reduced net trading income by \$712 million.

#### Funding valuation adjustment

The Group makes a funding valuation adjustment (FVA) against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for collateralised derivatives is based on discounting the expected future cash flows at the relevant overnight indexed swap (OIS) rate after taking into consideration the terms of the underlying collateral agreement with the counterparty. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions. The FVA calculation was previously based on the Group's internal funding rates. As at 31 December 2015, the calculation was revised to use market based rates. The change in estimate reduced net trading income by \$151 million.



# Standard Chartered PLC - Notes to the financial statements continued

## 2. Segmental Information

### Performance by Client Segments

|   | 2015                      |               |                 |                |                           |                               |                 |
|---|---------------------------|---------------|-----------------|----------------|---------------------------|-------------------------------|-----------------|
|   | Corporate & Institutional | Commercial    | Private Banking | Retail         | Total reportable Segments | Corporate items not allocated | Total           |
|   | \$million                 | \$million     | \$million       | \$million      | \$million                 | \$million                     | \$million       |
| Internal income   | (55)                      | 10            | (20)            | 65             | -                         | -                             | -               |
| Net interest income   | 5,125                     | 546           | 339             | 3,397          | 9,407                     | -                             | 9,407           |
| Non-interest income   | 3,258                     | 269           | 238             | 2,117          | 5,882                     | -                             | 5,882           |
| <b>Operating income<sup>1</sup></b>   | <b>8,328</b>              | <b>825</b>    | <b>557</b>      | <b>5,579</b>   | <b>15,289</b>             | <b>-</b>                      | <b>15,289</b>   |
| <b>Operating expenses<sup>2</sup></b>   | <b>(5,429)</b>            | <b>(767)</b>  | <b>(369)</b>    | <b>(4,168)</b> | <b>(10,733)</b>           | <b>(440)<sup>3</sup></b>      | <b>(11,173)</b> |
| <b>Operating profit before impairment losses and taxation</b>                         | <b>2,899</b>              | <b>58</b>     | <b>188</b>      | <b>1,411</b>   | <b>4,556</b>              | <b>(440)</b>                  | <b>4,116</b>    |
| Impairment losses on loans and advances and other credit risk provisions <sup>4</sup> | (3,606)                   | (599)         | (94)            | (677)          | (4,976)                   | -                             | (4,976)         |
| Other impairment  |                           |               |                 |                |                           |                               |                 |
| Goodwill impairment <sup>5</sup>  | -                         | -             | -               | -              | -                         | (488)                         | (488)           |
| Other impairment <sup>6</sup>   | (307)                     | (27)          | (5)             | (28)           | (367)                     | -                             | (367)           |
| Profit from associates and joint ventures   | 171                       | 14            | -               | 7              | 192                       | -                             | 192             |
| <b>(Loss)/profit before taxation</b>  | <b>(843)</b>              | <b>(554)</b>  | <b>89</b>       | <b>713</b>     | <b>(595)</b>              | <b>(928)</b>                  | <b>(1,523)</b>  |
| <b>Total assets employed</b>  | <b>444,431</b>            | <b>20,525</b> | <b>22,988</b>   | <b>147,476</b> | <b>635,420</b>            | <b>5,063</b>                  | <b>640,483</b>  |
| <b>Of which: Loans to customers</b>   | <b>140,379</b>            | <b>11,107</b> | <b>15,068</b>   | <b>94,849</b>  | <b>261,403</b>            | <b>-</b>                      | <b>261,403</b>  |
| <b>Total liabilities employed</b>   | <b>402,305</b>            | <b>25,812</b> | <b>27,990</b>   | <b>134,802</b> | <b>590,909</b>            | <b>1,062</b>                  | <b>591,971</b>  |
| <b>Of which: Customer accounts</b>  | <b>200,975</b>            | <b>19,071</b> | <b>24,532</b>   | <b>114,549</b> | <b>359,127</b>            | <b>-</b>                      | <b>359,127</b>  |
| Other segment items:  |                           |               |                 |                |                           |                               |                 |
| Interests in associates and joint ventures  | 1,423                     | 341           | -               | 173            | 1,937                     | -                             | 1,937           |
| Capital expenditure <sup>7</sup>  | 1,112                     | 81            | 45              | 152            | 1,390                     | -                             | 1,390           |
| Depreciation  | 321                       | 13            | 7               | 96             | 437                       | -                             | 437             |
| Amortisation of intangible assets   | 135                       | 14            | 8               | 70             | 227                       | -                             | 227             |

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

2. Includes \$695 million charge relating to restructuring actions (Corporate & Institutional \$231 million, Commercial \$56 million, Private Bank \$8 million and Retail \$400 million)

3. Relates to \$440 million for UK bank levy

4. Includes \$968 million charge relating to restructuring actions in Corporate & Institutional

5. Relates to \$488 million goodwill impairment charge in Taiwan (\$362 million) and restructuring actions in Thailand (\$126 million)

6. Includes \$56 million charge relating to restructuring actions (Corporate & Institutional \$13 million, Commercial \$20 million, Retail \$23 million)

7. Includes \$885 million capital expenditure relating to operating lease assets

# Standard Chartered PLC - Notes to the financial statements continued

## 2. Segmental Information continued

### Performance by Client Segments continued

|  | 2014                      |               |                 |                |                           |                               |                 |
|--|---------------------------|---------------|-----------------|----------------|---------------------------|-------------------------------|-----------------|
|  | Corporate & 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 <sup>1</sup>   | 4,704                     | 458           | 272             | 1,897          | 7,331                     | -                             | 7,331           |
| <b>Operating income</b>  | <b>10,531</b>             | <b>1,182</b>  | <b>612</b>      | <b>6,009</b>   | <b>18,334</b>             | <b>-</b>                      | <b>18,334</b>   |
| <b>Operating expenses</b>  | <b>(5,191)</b>            | <b>(739)</b>  | <b>(447)</b>    | <b>(4,002)</b> | <b>(10,379)</b>           | <b>(666)<sup>2</sup></b>      | <b>(11,045)</b> |
| <b>Operating profit before impairment losses and taxation</b>            | <b>5,340</b>              | <b>443</b>    | <b>165</b>      | <b>2,007</b>   | <b>7,955</b>              | <b>(666)</b>                  | <b>7,289</b>    |
| Impairment losses on loans and advances and other credit risk provisions | (991)                     | (212)         | -               | (938)          | (2,141)                   | -                             | (2,141)         |
| Other impairment   |                           |               |                 |                |                           |                               |                 |
| Goodwill Impairment <sup>3</sup>   | -                         | -             | -               | -              | -                         | (758)                         | (758)           |
| Other impairment   | (307)                     | (35)          | (16)            | (45)           | (403)                     | -                             | (403)           |
| Profit from associates and joint ventures                                | 198                       | 22            | -               | 28             | 248                       | -                             | 248             |
| <b>Profit before taxation</b>  | <b>4,240</b>              | <b>218</b>    | <b>149</b>      | <b>1,052</b>   | <b>5,659</b>              | <b>(1,424)</b>                | <b>4,235</b>    |
| <b>Total assets employed</b>   | <b>513,767</b>            | <b>29,444</b> | <b>26,181</b>   | <b>151,418</b> | <b>720,810</b>            | <b>5,104</b>                  | <b>725,914</b>  |
| <b>Of which: Loans to customers</b>                                      | <b>157,970</b>            | <b>14,651</b> | <b>18,056</b>   | <b>97,922</b>  | <b>288,599</b>            | <b>-</b>                      | <b>288,599</b>  |
| <b>Total liabilities employed</b>  | <b>466,680</b>            | <b>32,087</b> | <b>36,370</b>   | <b>142,902</b> | <b>678,039</b>            | <b>1,137</b>                  | <b>679,176</b>  |
| <b>Of which: Customer accounts</b>                                       | <b>244,731</b>            | <b>22,787</b> | <b>29,621</b>   | <b>117,050</b> | <b>414,189</b>            | <b>-</b>                      | <b>414,189</b>  |
| Other segment items:   |                           |               |                 |                |                           |                               |                 |
| Interests in associates and joint ventures                               | 1,217                     | 406           | 19              | 320            | 1,962                     | -                             | 1,962           |
| Capital expenditure <sup>4</sup>   | 2,264                     | 120           | 44              | 98             | 2,526                     | -                             | 2,526           |
| Depreciation   | 305                       | 13            | 4               | 112            | 434                       | -                             | 434             |
| Amortisation of intangible assets  | 107                       | 13            | 6               | 79             | 205                       | -                             | 205             |

1. Includes an own credit adjustment of \$100 million (Corporate & Institutional) net benefit relating to own credit adjustment and \$2 million net losses on businesses sold/held-for-sale

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

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

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

## 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 manages its reportable client segments on a global basis. The Group's operations are based in the eight main geographic regions presented below; information is also provided for key countries in which the Group operates. The UK is the home country of the Company.

|   | 2015           |                 |               |                |               |               |               |                |                 |
|---|----------------|-----------------|---------------|----------------|---------------|---------------|---------------|----------------|-----------------|
|   | Greater China  | North East Asia | South Asia    | ASEAN          | MENAP         | Africa        | Americas      | Europe         | Total           |
|   | \$million      | \$million       | \$million     | \$million      | \$million     | \$million     | \$million     | \$million      | \$million       |
| Internal income   | 69             | (36)            | (57)          | 63             | 84            | 76            | 6             | (205)          | -               |
| Net interest income   | 2,494          | 861             | 1,240         | 1,878          | 845           | 916           | 326           | 847            | 9,407           |
| Fees and commissions income, net  | 1,306          | 195             | 281           | 750            | 322           | 337           | 345           | 71             | 3,607           |
| Net trading income  | 839            | (14)            | (178)         | 311            | 97            | (36)          | 148           | (255)          | 912             |
| - Underlying  | 790            | (17)            | (178)         | 42             | 96            | (36)          | 148           | (428)          | 417             |
| - Own credit adjustment   | 49             | 3               | -             | 269            | 1             | -             | -             | 173            | 495             |
| Other operating income  | 621            | 129             | 125           | 143            | 65            | 143           | 14            | 123            | 1,363           |
| <b>Operating income<sup>1</sup></b>   | <b>5,329</b>   | <b>1,135</b>    | <b>1,411</b>  | <b>3,145</b>   | <b>1,413</b>  | <b>1,436</b>  | <b>839</b>    | <b>581</b>     | <b>15,289</b>   |
| <b>Operating expenses<sup>2</sup></b>   | <b>(3,023)</b> | <b>(1,480)</b>  | <b>(842)</b>  | <b>(1,935)</b> | <b>(975)</b>  | <b>(951)</b>  | <b>(812)</b>  | <b>(1,155)</b> | <b>(11,173)</b> |
| <b>Operating profit before impairment losses and taxation</b>                         | <b>2,306</b>   | <b>(345)</b>    | <b>569</b>    | <b>1,210</b>   | <b>438</b>    | <b>485</b>    | <b>27</b>     | <b>(574)</b>   | <b>4,116</b>    |
| Impairment losses on loans and advances and other credit risk provisions <sup>3</sup> | (701)          | (247)           | (1,347)       | (1,016)        | (441)         | (550)         | (62)          | (612)          | (4,976)         |
| Other impairment <sup>4</sup>   | (410)          | (12)            | (34)          | (195)          | (3)           | (48)          | (9)           | (144)          | (855)           |
| Profit from associates and joint ventures   | 173            | -               | -             | 16             | -             | 4             | -             | (1)            | 192             |
| <b>Profit/(loss) before taxation</b>  | <b>1,368</b>   | <b>(604)</b>    | <b>(812)</b>  | <b>15</b>      | <b>(6)</b>    | <b>(109)</b>  | <b>(44)</b>   | <b>(1,331)</b> | <b>(1,523)</b>  |
| <b>Total assets employed<sup>5,6</sup></b>  | <b>187,225</b> | <b>59,757</b>   | <b>31,436</b> | <b>129,874</b> | <b>41,950</b> | <b>25,198</b> | <b>69,614</b> | <b>171,601</b> |                 |
| <b>Of which: Loans to customers<sup>6</sup></b>                                       | <b>77,675</b>  | <b>28,608</b>   | <b>19,287</b> | <b>66,942</b>  | <b>19,485</b> | <b>11,562</b> | <b>11,498</b> | <b>26,346</b>  |                 |
| Average interest-earning assets   | 168,713        | 52,535          | 29,720        | 114,696        | 35,167        | 21,539        | 72,471        | 118,675        |                 |
| Net interest margin (%)   | 1.5            | 1.6             | 4.0           | 1.7            | 2.6           | 4.6           | 0.5           | 0.5            | 1.7             |
| <b>Capital expenditure<sup>7</sup></b>  | <b>907</b>     | <b>19</b>       | <b>18</b>     | <b>376</b>     | <b>6</b>      | <b>14</b>     | <b>7</b>      | <b>43</b>      | <b>1,390</b>    |

1. Includes \$495 million benefit relating to own credit adjustment, \$863 million charges relating to a change in the methodology for estimating credit and funding valuation adjustments, and \$218 million net gain on businesses sold/held for sale

2. Includes \$695 million charge relating to restructuring actions and \$440 million for UK bank levy

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

4. Includes \$488 million of goodwill impairment charge and \$56 million relating to restructuring actions

5. Includes intra-group assets

6. Based on the location of the customers rather than the booking location of the loan

7. Includes \$885 million capital expenditure in Greater China relating to operating lease assets

# Standard Chartered PLC - Notes to the financial statements continued

## 2. Segmental Information continued

### Performance by geographic regions and key countries continued

#### Entity-wide information

|  | 2014                          |                                 |                         |                    |                    |                     |                       |                     |                    |
|--|-------------------------------|---------------------------------|-------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|--------------------|
|  | Greater<br>China<br>\$million | North East<br>Asia<br>\$million | South Asia<br>\$million | ASEAN<br>\$million | MENAP<br>\$million | Africa<br>\$million | Americas<br>\$million | Europe<br>\$million | Total<br>\$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              |
| <b>Operating income<sup>1</sup></b>                                      | <b>5,540</b>                  | <b>1,459</b>                    | <b>1,855</b>            | <b>3,713</b>       | <b>1,843</b>       | <b>1,829</b>        | <b>861</b>            | <b>1,234</b>        | <b>18,334</b>      |
| <b>Operating expenses<sup>2</sup></b>                                    | <b>(2,911)</b>                | <b>(1,179)</b>                  | <b>(793)</b>            | <b>(2,078)</b>     | <b>(984)</b>       | <b>(990)</b>        | <b>(968)</b>          | <b>(1,142)</b>      | <b>(11,045)</b>    |
| <b>Operating profit before impairment losses and taxation</b>            | <b>2,629</b>                  | <b>280</b>                      | <b>1,062</b>            | <b>1,635</b>       | <b>859</b>         | <b>839</b>          | <b>(107)</b>          | <b>92</b>           | <b>7,289</b>       |
| Impairment losses on loans and advances and other credit risk provisions | (469)                         | (394)                           | (183)                   | (698)              | (89)               | (175)               | (21)                  | (112)               | (2,141)            |
| Other impairment <sup>3</sup>  | (174)                         | (737)                           | (73)                    | (86)               | (1)                | (1)                 | (1)                   | (88)                | (1,161)            |
| Profit from associates and joint ventures                                | 177                           | -                               | -                       | 62                 | -                  | 10                  | -                     | (1)                 | 248                |
| <b>Profit/(loss) before taxation</b>                                     | <b>2,163</b>                  | <b>(851)</b>                    | <b>806</b>              | <b>913</b>         | <b>769</b>         | <b>673</b>          | <b>(129)</b>          | <b>(109)</b>        | <b>4,235</b>       |
| <b>Total assets employed<sup>4,5</sup></b>                               | <b>213,196</b>                | <b>64,896</b>                   | <b>35,941</b>           | <b>160,286</b>     | <b>44,225</b>      | <b>26,456</b>       | <b>91,999</b>         | <b>172,274</b>      |                    |
| <b>Of which: Loans to customers<sup>5</sup></b>                          | <b>89,646</b>                 | <b>29,582</b>                   | <b>22,859</b>           | <b>78,541</b>      | <b>22,775</b>      | <b>13,103</b>       | <b>10,952</b>         | <b>21,141</b>       |                    |
| Average interest-earning assets <sup>5</sup>                             | 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                |
| <b>Capital expenditure<sup>6</sup></b>                                   | <b>2,008</b>                  | <b>40</b>                       | <b>28</b>               | <b>377</b>         | <b>12</b>          | <b>38</b>           | <b>2</b>              | <b>21</b>           | <b>2,526</b>       |

1. Includes \$100 million benefit relating to own credit adjustment and \$2 million net losses on businesses sold/held for sale

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

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

4. Includes intra-group assets

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

6. Includes \$1,966 million capital expenditure in Greater China relating to operating lease assets

## Standard Chartered PLC - Notes to the financial statements continued

### 3. Interest income

|  | 2015<br>\$million | 2014<br>\$million |
|--|-------------------|-------------------|
| Balances at central banks                    | 238               | 246               |
| Treasury bills                               | 647               | 780               |
| Loans and advances to banks                  | 1,020             | 1,206             |
| Loans and advances to customers              | 10,266            | 12,167            |
| Listed debt securities                       | 712               | 823               |
| Unlisted debt securities                     | 1,623             | 1,662             |
| Accrued on impaired assets (discount unwind) | 107               | 100               |
|  | <b>14,613</b>     | <b>16,984</b>     |
| Of which from financial instruments held at: |                   |                   |
| Amortised cost                               | 11,808            | 14,281            |
| Available-for-sale                           | 2,425             | 2,373             |
| Held at fair value through profit or loss    | 380               | 330               |

### 4. Interest expense

|  | 2015<br>\$million | 2014<br>\$million |
|--|-------------------|-------------------|
| Deposits by banks                                      | 396               | 408               |
| Customer accounts:                                     |                   |                   |
| Interest bearing current accounts and savings deposits | 971               | 1,009             |
| Time deposits  | 2,501             | 2,960             |
| Debt securities in issue                               | 773               | 866               |
| Subordinated liabilities and other borrowed funds:     |                   |                   |
| Repayable within five years                            | 43                | 74                |
| Repayable after five years                             | 522               | 664               |
|  | <b>5,206</b>      | <b>5,981</b>      |
| Of which from financial instruments held at:           |                   |                   |
| Amortised cost   | 5,073             | 5,541             |
| Held at fair value through profit or loss              | 133               | 440               |

### 5. Net fees and commission

|                     | 2015<br>\$million | 2014<br>\$million |
|---------------------|-------------------|-------------------|
| Transaction Banking | 1,307             | 1,484             |
| Financial Markets   | 173               | 353               |
| Corporate Finance   | 310               | 462               |
| Wealth Management   | 1,211             | 1,151             |
| Retail Products     | 560               | 668               |
| Others              | 46                | 61                |
|                     | <b>3,607</b>      | <b>4,179</b>      |

Total fee income arising from financial instruments that are not fair valued through profit or loss is \$1,190 million (2014: \$1,596 million) and arising from trust and other fiduciary activities of \$156 million (2014: \$156 million).

Total fee expense arising from financial instruments that are not fair valued through profit or loss is \$40 million (2014: \$79 million) and arising from trust and other fiduciary activities of \$25 million (2014: \$21 million).

## Standard Chartered PLC - Notes to the financial statements continued

### 6. Net trading income

|  | 2015       | 2014         |
|--|------------|--------------|
|  | \$million  | \$million    |
| Gains less losses on instruments held for trading:   |            |              |
| Foreign currency <sup>1</sup>  | 1,608      | 298          |
| Trading securities   | (584)      | 337          |
| Interest rate derivatives  | (687)      | 1,306        |
| Credit and other derivatives   | 423        | 39           |
|  | 760        | 1,980        |
| Gains less losses from fair value hedging:   |            |              |
| Gains less losses from fair value hedged items   | 198        | (1,301)      |
| Gains less losses from fair value hedging instruments  | (192)      | 1,272        |
|  | 6          | (29)         |
| Gains less losses on instruments designated at fair value:                                     |            |              |
| Financial assets designated at fair value through profit or loss                               | (118)      | (65)         |
| Financial liabilities designated at fair value through profit or loss                          | (391)      | (834)        |
| Own credit adjustment  | 495        | 100          |
| Derivatives managed with financial instruments designated at fair value through profit or loss | 160        | 744          |
|  | 146        | (55)         |
|  | <b>912</b> | <b>1,896</b> |

<sup>1</sup> Includes foreign currency gains and losses arising on the translation of foreign currency monetary assets and liabilities

The 2015 disclosure includes \$863m valuation losses relating to the change in the methodology of calculating the credit valuation adjustments and funding valuation adjustments.

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

### 7. Other operating income

|   | 2015      | 2014      |
|---|-----------|-----------|
|   | \$million | \$million |
| Other operating income includes:                        |           |           |
| Rental income from operating lease assets               | 550       | 562       |
| Gains less losses on disposal of financial instruments: |           |           |
| Available-for-sale                                      | 332       | 426       |
| Loans and receivables                                   | 4         | 8         |
| Net gain on sale of businesses                          | 222       | 13        |
| Dividend income   | 111       | 97        |
| Gain on disposal of property, plant and equipment       | 66        | 49        |
| Receipt of tax refund related income                    | 13        | 26        |
| Fair value loss on business classified as held for sale | (4)       | (15)      |

## Standard Chartered PLC - Notes to the financial statements continued

### 8. Impairment losses on loans and advances and other credit risk provisions

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

|   | 2015<br>\$million | 2014<br>\$million |
|---|-------------------|-------------------|
| Net charge against profit on loans and advances:                                      |                   |                   |
| Individual impairment charge  | 4,820             | 2,096             |
| Portfolio impairment (release) / charge   | (4)               | 38                |
|   | <b>4,816</b>      | <b>2,134</b>      |
| Impairment charges related to credit commitments                                      | 94                | 6                 |
| Impairment charges relating to debt securities classified as loans and receivables    | 66                | 1                 |
| <b>Total impairment losses and other credit risk provisions on loans and advances</b> | <b>4,976</b>      | <b>2,141</b>      |

### 9. Other impairment

|  | 2015<br>\$million | 2014<br>\$million |
|--|-------------------|-------------------|
| Impairment of goodwill   | 488               | 758               |
| Impairment of fixed assets                                     | 149               | -                 |
| Impairment losses on available-for-sale financial assets:      |                   |                   |
| Debt securities  | 5                 | 109               |
| Equity shares  | 142               | 47                |
|  | <b>147</b>        | <b>156</b>        |
| Impairment of investment in associates                         | 46                | 97                |
| Impairment of acquired intangible assets                       | 1                 | 8                 |
| Impairment of commodity assets                                 | -                 | 139               |
| Other  | 42                | 9                 |
|  | <b>873</b>        | <b>1,167</b>      |
| Recovery of impairment on disposal of instruments <sup>1</sup> | (18)              | (6)               |
|  | <b>855</b>        | <b>1,161</b>      |

<sup>1</sup> Relates to private equity instruments sold during the year that had impairment provisions raised against them in prior years

### 10. Taxation

Determining the Group's taxation charge for the year involves a degree of estimation and judgement.

The following table provides analysis of taxation charge in the year:

|  | 2015<br>\$million     | 2014<br>\$million |
|--|-----------------------|-------------------|
| The charge for taxation based upon the (loss)/profit for the year comprises: |                       |                   |
| <b>Current tax:</b>  |                       |                   |
| United Kingdom corporation tax at 20.25 per cent (2014: 21.5 per cent):      |                       |                   |
| Current tax (credit)/charge on income for the year                           | (15)                  | 169               |
| Adjustments in respect of years (including double taxation relief)           | 57                    | (130)             |
| Double taxation relief   | (4)                   | (8)               |
| Foreign tax:   |                       |                   |
| Current tax charge on income for the year                                    | 1,084                 | 1,460             |
| Adjustments in respect of prior years  | 49                    | (29)              |
|  | <b>1,171</b>          | <b>1,462</b>      |
| <b>Deferred tax:</b>   |                       |                   |
| Origination/reversal of temporary differences                                | (526)                 | (15)              |
| Adjustments in respect of prior years  | 28                    | 83                |
|  | <b>(498)</b>          | <b>68</b>         |
| <b>Tax on (loss)/profits on ordinary activities</b>                          | <b>673</b>            | <b>1,530</b>      |
| <b>Effective tax rate</b>  | <b>nm<sup>1</sup></b> | <b>36.1%</b>      |

<sup>1</sup> Not meaningful

## Standard Chartered PLC - Notes to the financial statements continued

### 10. Taxation continued

The UK corporation tax rate was reduced from 21 per cent to 20 per cent with an effective date of 1 April 2015, giving a blended 20.25 per cent for the year.

Further reductions in the UK corporation tax rate to 19 per cent with an effective date of 1 April 2017 and to 18 per cent with an effective date of 1 April 2020 have been enacted at the balance sheet date. The rate reduction to 18 per cent did not have a significant impact on the Group.

Foreign taxation includes current taxation on Hong Kong profits of \$131 million (31 December 2014: \$207 million) on the profits assessable in Hong Kong.

Deferred taxation includes origination/reversal of temporary differences in Hong Kong profits of \$(12) million (2014: \$4 million) provided at a rate of 16.5 per cent (2014: 16.5 per cent) on the profits assessable to Hong Kong.

The tax charge for the year of \$673 million (2014: \$1,530 million) on a loss before taxation of \$1,523 million (2014: profit before taxation of \$4,235 million) reflected the impact of deferred tax assets not recognised and non-deductible goodwill impairment.

The taxation charge for the year is higher than the charge at the blended rate of corporation tax in the United Kingdom, 20.25 per cent. The differences are explained below:

|  | 2015           | 2014      |
|--|----------------|-----------|
|  | \$million      | \$million |
| (Loss)/profit on ordinary activities before taxation | <b>(1,523)</b> | 4,235     |
| Tax at 20.25 per cent (2014: 21.5 per cent)          | <b>(308)</b>   | 911       |
| Effects of:  |                |           |
| Tax free income                                      | <b>(187)</b>   | (254)     |
| Lower tax rates on overseas earnings                 | <b>(42)</b>    | (146)     |
| Higher tax rates on overseas earnings                | <b>230</b>     | 492       |
| Adjustments to tax charge in respect of prior years  | <b>134</b>     | (76)      |
| Goodwill impairment                                  | <b>99</b>      | 163       |
| Deferred tax not recognised                          | <b>314</b>     | -         |
| Non-deductible expenses                              | <b>326</b>     | 525       |
| Other items  | <b>107</b>     | (85)      |
| Tax on (loss)/profit on ordinary activities          | <b>673</b>     | 1,530     |

|  | 2015                        |                              |                    | 2014                        |                              |                    |
|--|-----------------------------|------------------------------|--------------------|-----------------------------|------------------------------|--------------------|
|  | Current<br>Tax<br>\$million | Deferred<br>Tax<br>\$million | Total<br>\$million | Current<br>Tax<br>\$million | Deferred<br>Tax<br>\$million | Total<br>\$million |
| Tax recognised in other comprehensive income   |                             |                              |                    |                             |                              |                    |
| Available-for-sale assets                      | 2                           | 58                           | 60                 | (16)                        | (50)                         | (66)               |
| Cash flow hedges                               | -                           | (25)                         | (25)               | -                           | 31                           | 31                 |
| Retirement benefit obligations                 | -                           | (10)                         | (10)               | -                           | 13                           | 13                 |
|  | <b>2</b>                    | <b>23</b>                    | <b>25</b>          | <b>(16)</b>                 | <b>(6)</b>                   | <b>(22)</b>        |
| Other tax recognised in equity                 |                             |                              |                    |                             |                              |                    |
| Share-based payments                           | -                           | (6)                          | (6)                | 1                           | (2)                          | (1)                |
| Total tax credit/(charge) recognised in equity | <b>2</b>                    | <b>17</b>                    | <b>19</b>          | <b>(15)</b>                 | <b>(8)</b>                   | <b>(23)</b>        |



# Standard Chartered PLC - Notes to the financial statements continued

## 11. Dividends

### Ordinary equity shares

|  | 2015                          |           | 2014                          |           |
|--|-------------------------------|-----------|-------------------------------|-----------|
|  | Pre-rights<br>cents per share | \$million | Pre-rights<br>cents per share | \$million |
| 2014/2013 Final dividend declared and paid during the year   | 57.20                         | 1,412     | 57.20                         | 1,385     |
| 2015/2014 Interim dividend declared and paid during the year | 14.40                         | 366       | 28.80                         | 710       |
|  |                               | 1,778     |                               | 2,095     |

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2015 and 2014. Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2014 final dividend of 57.20 cents per ordinary share (\$1,412 million) was paid to eligible shareholders on 14 May 2015 and the interim dividend of 14.40 cents per ordinary share (\$366 million) was paid to eligible shareholders on 19 October 2015.

On 3 November 2015, the Board announced that no final dividend will be paid for 2015 financial year in light of the strategic review and the rights issue. Accordingly, the total dividend for 2015 is 14.40 cents per share on a pre-rights basis (2014: 86 cents per share)

### Impact of the 2015 rights issue

On 3 November 2015, the Company announced the issue of 728,432,451 new ordinary shares by way of rights to qualifying shareholders at 465 pence per new ordinary share. The issue was on the basis of 2 ordinary shares for every 7 ordinary shares held on 18 November 2015. The dividend per share amounts in the table below have been adjusted for the bonus element included within the 2015 rights issue in line with the restatement of prior period earnings per share amounts required by IAS 33 *Earnings per share* (see note 12).

|  | 2015                           | 2014                           |
|--|--------------------------------|--------------------------------|
|  | Post-rights<br>cents per share | Post-rights<br>cents per share |
| 2014/2013 Final dividend declared and paid during the year   | 54.44                          | 54.44                          |
| 2015/2014 Interim dividend declared and paid during the year | 13.71                          | 27.41                          |

Total dividend recommended and declared relating to 2015 on a post-rights basis is 13.71 cents per share (2014: 81.85 cents per share).

### Preference shares

|   | 2015      | 2014      |
|---|-----------|-----------|
|   | \$million | \$million |
| Non-cumulative irredeemable preference shares: 7 <sup>3</sup> / <sub>8</sub> per cent preference shares of £1 each <sup>1</sup> | 11        | 12        |
| 8 <sup>1</sup> / <sub>4</sub> per cent preference shares of £1 each <sup>1</sup>  | 13        | 13        |
| Non-cumulative redeemable preference shares: 7.014 per cent preference shares of \$5 each <sup>2</sup>                          | 53        | 53        |
| 6.409 per cent preference shares of \$5 each <sup>2</sup>   | 48        | 48        |

<sup>1</sup> Dividends on these preference shares are treated as interest expense and accrued accordingly

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

### Additional Tier 1 securities

|  | 2015      | 2014      |
|--|-----------|-----------|
|  | \$million | \$million |
| \$2 billion fixed rate resetting perpetual subordinated contingent convertible securities <sup>3</sup> | 65        | -         |

<sup>3</sup> Dividends on these securities classified as equity are recorded in the period in which they are declared

## Standard Chartered PLC - Notes to the financial statements continued

### 12. Earnings per ordinary share

|   | 2015                |                                   |                  | 2014                |                                   |                  |
|---|---------------------|-----------------------------------|------------------|---------------------|-----------------------------------|------------------|
|   | (Loss) <sup>1</sup> | Weighted average number of shares | Per share amount | Profit <sup>1</sup> | Weighted average number of shares | Per share amount |
|   | \$million           | ('000)                            | cents            | \$million           | ('000)                            | cents            |
| <b>Basic (loss)/earnings per ordinary share</b>                   | <b>(2,360)</b>      | <b>2,568,098</b>                  | <b>(91.9)</b>    | 2,512               | 2,458,662                         | 102.2            |
| Pre-rights issue bonus earnings per ordinary share                |                     |                                   |                  |                     |                                   |                  |
| Impact of rights issue <sup>2</sup>                               | -                   | -                                 | -                | -                   | 123,740                           | -                |
| <b>Post-rights issue basic (loss)/earnings per ordinary share</b> | <b>(2,360)</b>      | <b>2,568,098</b>                  | <b>(91.9)</b>    | 2,512               | 2,582,402                         | 97.3             |
| Effect of dilutive potential ordinary shares:                     |                     |                                   |                  |                     |                                   |                  |
| Options <sup>3</sup>  | -                   | -                                 | -                | -                   | 15,250 <sup>2</sup>               | -                |
| <b>Diluted (loss)/earnings per ordinary share</b>                 | <b>(2,360)</b>      | <b>2,568,098</b>                  | <b>(91.9)</b>    | 2,512               | 2,597,652                         | 96.7             |

<sup>1</sup> The (loss)/profit amounts represent the profit attributable to ordinary shareholders, which is (loss)/profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity (see note 11)

<sup>2</sup> On 3 November 2015, the Company announced the issue of 728,432,451 new ordinary shares by way of rights to qualifying shareholders at 465 pence per share. The issue was made as two shares for every seven shares held on 18 November 2015. As required by IAS 33 Earnings per share the impact of the bonus element included within the rights issue has been included in the calculations of the basic and diluted earnings per share for the year and prior year (and their normalised equivalent) has been represented accordingly as presented in note 16

<sup>3</sup> The impact of anti-dilutive options has been excluded from this amount as required by IAS 33 *Earnings per share*

There were no ordinary shares issued after the balance sheet date that would have significantly affected the number of ordinary shares used in the above calculation had they been issued prior to the end of the balance sheet date.

## Standard Chartered PLC - Notes to the financial statements continued

### 12. Earnings per ordinary share continued

The Group measures earnings per share on a normalised basis. This differs from earnings defined in IAS 33 *Earnings per share*. The table below provides a reconciliation.

|   | 2015<br>\$million | 2014<br>\$million  |
|---|-------------------|--------------------|
| <b>Operating income as reported</b>   | <b>15,289</b>     | 18,334             |
| Items normalised:   |                   |                    |
| Fair value movements on own credit adjustment                                   | (495)             | (100)              |
| Credit and funding valuation methodology adjustment                             | 863               | -                  |
| Gain on disposal of property  | (10)              | (49)               |
| Net gain arising on sale of business  | (222)             | (13)               |
| Fair value loss on business classified as held for sale                         | 4                 | 15                 |
|   | <b>140</b>        | <b>(147)</b>       |
| <b>Normalised operating income</b>  | <b>15,429</b>     | 18,187             |
| <b>Operating expenses as reported</b>   | <b>(11,173)</b>   | (11,045)           |
| Items normalised:   |                   |                    |
| Restructuring costs <sup>1</sup>  | 695               | -                  |
| Amortisation of intangible assets arising on business combinations              | 22                | 40                 |
| Civil monetary penalty <sup>2</sup>   | -                 | 300                |
|   | <b>717</b>        | <b>340</b>         |
| <b>Normalised operating expenses</b>  | <b>(10,456)</b>   | (10,705)           |
| <b>Impairment losses on loans and advances and other impairment as reported</b> | <b>(5,831)</b>    | (3,302)            |
| Items normalised:   |                   |                    |
| Impairment on loans and advances and other credit provisions <sup>3</sup>       | 968               | -                  |
| Impairment of associates <sup>1</sup>   | 46                | 97                 |
| Impairment of fixed assets <sup>1</sup>   | 10                | -                  |
| Impairment of acquired intangibles  | 1                 | 8                  |
| Impairment of goodwill <sup>3</sup>   | 488               | 758                |
|   | <b>1,513</b>      | <b>863</b>         |
| <b>Normalised impairment provisions</b>   | <b>(4,318)</b>    | (2,439)            |
| <b>Taxation as reported</b>   | <b>(673)</b>      | (1,530)            |
| Tax on normalised items <sup>3</sup>  | (179)             | 20                 |
| <b>Normalised taxation</b>  | <b>(852)</b>      | (1,510)            |
| <b>(Loss)/profit as reported<sup>4</sup></b>                                    | <b>(2,360)</b>    | 2,512              |
| Items normalised as above:  |                   |                    |
| Operating income  | 140               | (147)              |
| Operating expenses  | 717               | 340                |
| Other impairment  | 1,513             | 863                |
| Taxation  | (179)             | 20                 |
|   | <b>2,191</b>      | <b>1,076</b>       |
| <b>Normalised (loss)/profit</b>   | <b>(169)</b>      | 3,588              |
| <b>Normalised basic (loss)/earnings per ordinary share (cents)</b>              | <b>(6.6)</b>      | 138.9 <sup>2</sup> |
| <b>Normalised diluted (loss)/earnings per ordinary share (cents)</b>            | <b>(6.6)</b>      | 138.1 <sup>2</sup> |

<sup>1</sup> Includes charges relating to restructuring actions

<sup>2</sup> In August 2014, Standard Chartered reached a settlement with the New York Department of Financial Services (NYDFS) regarding deficiencies in its anti-money laundering transaction surveillance system at the New York branch. There is no tax relief for this settlement

<sup>3</sup> No tax is included in respect of the impairment of goodwill as no tax relief is available

<sup>4</sup> The (loss)/profit amounts represent the profit attributable to ordinary shareholders, which is (loss)/profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity (see note 11)

## Standard Chartered PLC - Notes to the financial statements continued

### 13. Contingent liabilities and commitments

The table below shows the contract or underlying principal amounts and risk-weighted amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

|  | 2015           | 2014                 |
|--|----------------|----------------------|
|  | \$million      | \$million            |
| <b>Contingent liabilities</b>  |                |                      |
| Guarantees and irrevocable letters of credit   | 29,694         | 33,318               |
| Other contingent liabilities   | 9,361          | 9,214                |
|  | <b>39,055</b>  | <b>42,532</b>        |
| <b>Commitments</b>   |                |                      |
| Documentary credits and short-term trade-related transactions                              | 4,852          | 7,911                |
| Forward asset purchases and forward deposits placed  | 530            | 539 <sup>1</sup>     |
| Undrawn formal standby facilities, credit lines and other commitments to lend <sup>1</sup> |                |                      |
| One year and over  | 45,327         | 42,380 <sup>1</sup>  |
| Less than one year   | 14,104         | 18,490 <sup>1</sup>  |
| Unconditionally cancellable  | 123,036        | 142,601 <sup>1</sup> |
|  | <b>187,849</b> | <b>211,921</b>       |

<sup>1</sup> 2014 balances have been re-stated

The Group's share of contingent liabilities and commitments relating to joint ventures is \$286 million (2014: \$336 million).

#### Contingent liabilities

Where the Group undertakes to make a payment on behalf of its customers for guarantees issued such as for performance bonds or as irrevocable letters of credit as part of the Group's transaction banking business for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs officials, for bids or offers and as shipping guarantees.

#### Commitments

Where the Group has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees whether cancellable or not or letters of credit, and the Group has not made payments at the balance sheet date, those instruments are included in these financial statements as commitments.

### 14. 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.

Regulatory and enforcement authorities have broad discretion to pursue prosecutions and impose a wide range of penalties for non-compliance with laws and regulations. Penalties imposed by authorities have included substantial monetary penalties, additional compliance and remediation requirements and additional business restrictions. In recent years, such authorities have exercised their discretion to impose increasingly severe penalties on financial institutions that have been determined to have violated laws and regulations, and there can be no assurance that future penalties will not be of a different type or increased severity.

In 2012, the Group reached settlements with the US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services (NYDFS), a Cease and Desist Order by the Board of Governors of the Federal Reserve System (FED), Deferred Prosecution Agreements with each of the Department of Justice (DOJ) and the New York County District Attorney's Office (DANY) and a Settlement Agreement with the Office of Foreign Assets Control (together, the 'Settlements'). In addition to the civil penalties totalling \$667 million, the terms of these Settlements include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and, in connection with the NYDFS Consent Order, the appointment of an independent monitor (the 'Monitor'). These obligations are managed under a programme of work referred to as the US Supervisory Remediation Program (SRP). The SRP comprises work streams designed to ensure compliance with the remediation requirements contained in all of the Settlements. In 2013 the Group also established a Financial Crime Risk Mitigation Programme (FCRMP), which is a comprehensive, multi-year programme designed to review and enhance many aspects of the Group's existing approach to money laundering prevention and to combating terrorism finance and the approach to sanctions compliance and the prevention of bribery and corruption. Many of the deliverables under the SRP are reliant on, or led by, individuals or functions outside the US, and in some cases represent the US implementation of Group-wide remediation or upgrade activity managed under the FCRMP. Consequently, there is a close working relationship between the SRP and FCRMP for the purpose of project coordination and delivery. As part of the FCRMP, the Group or its advisors may identify new issues, potential breaches or matters requiring further review or further process improvements that could impact the scope or duration of the FCRMP.

### 14. Legal and regulatory matters continued

The Group is engaged with all relevant authorities to implement these programmes and meet the obligations under the Settlements.

On 19 August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies in the AML transaction surveillance system in its New York branch (the 'Branch'). The system, which is separate from the sanctions screening process, is one part of the Group's overall financial crime controls and is designed to alert the Branch to unusual transaction patterns that require further investigation on a post-transaction basis.

The settlement provisions are summarised as follows:

- (i) A civil monetary penalty of \$300 million
- (ii) Enhancements to the transaction surveillance system at the Branch
- (iii) A two-year extension to the term of the Monitor
- (iv) The following set of temporary remediation measures, which will remain in place until the transaction surveillance system's detection scenarios are operating to a standard approved by the Monitor:
  - (a) The Branch will not, without prior approval of the NYDFS in consultation with the Monitor, open a dollar demand deposit account for any client that does not already have such an account with the Branch
  - (b) Requirements for inclusion of identifying information for originators and beneficiaries of some affiliate and third-party payment messages cleared through the Branch
  - (c) A restriction on dollar-clearing services for certain Hong Kong retail business clients
  - (d) Enhanced monitoring of certain small and medium-sized enterprise clients in the UAE. The Group decided to exit this business as part of its broader efforts to sharpen its strategic focus, withdrawing from or realigning non-strategic businesses, including those where increased regulatory costs undermine their economic viability. The exit process is largely complete and, in accordance with the settlement agreement, dollar clearance restrictions were implemented effective 17 November 2014.

The remit of the SRP has been expanded to cover the management of these obligations.

On 9 December 2014, the Group announced that the DOJ, DANY and the Group had agreed to a three-year extension of the DPAs until 10 December 2017, and to the retention of a monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme. The DOJ agreement acknowledges that the Group has taken a number of steps to comply with the requirements of the original DPAs and to enhance and optimise its sanctions compliance, including the implementation of more rigorous US sanctions policies and procedures, certified staff training, hiring of senior legal and financial crime compliance staff, and recently implementing additional measures to block payment instructions for countries subject to US sanctions laws and regulations. The Group will work closely with the authorities to make additional substantial improvements to its US sanctions programme to reach the standard required by the DPAs.

The Group is cooperating with an investigation by the US authorities and the New York State Attorney General relating to possible historical violations of US sanctions laws and regulations. In contrast to the 2012 settlements, which focused on the period before the Group's 2007 decision to stop doing new business with known Iranian parties, the ongoing investigation is focused on examining the extent to which conduct and control failures permitted clients with Iranian interests to conduct transactions through Standard Chartered Bank after 2007 and the extent to which any such failures were shared with relevant US authorities in 2012.

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

The FCA is investigating Standard Chartered Bank's financial crime controls, looking at the effectiveness and governance of those controls within the correspondent banking business carried out by Standard Chartered Bank's London branch, particularly in relation to the business carried on with respondent banks from outside the European Economic Area, and the effectiveness and governance of those controls in one of Standard Chartered Bank's overseas branches and the oversight exercised at Group level over those controls.

As part of their remit to oversee market conduct, regulators and other agencies in certain markets are conducting investigations or requesting reviews into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. At relevant times, certain of the Group's branches and/or subsidiaries were (and are) participants in some of those markets, in some cases submitting data to bodies that set such rates and other financial benchmarks. The Group is contributing to industry proposals to strengthen financial benchmarks processes in certain markets and continues to review its practices and processes in the light of the investigations, reviews and the industry proposals.

The Group is cooperating with all relevant ongoing reviews, requests for information and investigations. The outcome of these reviews, requests for information and investigations is uncertain and could result in further actions, penalties or fines, but it is not possible to predict the extent of any liabilities or other consequences that may arise.

## Standard Chartered PLC - Notes to the financial statements continued

### 14. Legal and regulatory matters continued

In meeting regulatory expectations and demonstrating active risk management, the Group also takes steps to restrict or restructure or otherwise mitigate higher-risk business activities, which could include divesting or closing businesses that exist beyond risk tolerances.

### 15. Post balance sheet events

On 8 July 2015 the UK government announced changes to tax rates. These changes have been substantively enacted at the balance sheet date but take effect in future periods. The changes were as follows:

- **Corporation tax surcharge**  
An 8% corporation tax surcharge applies to UK profits of banks with effect from 1 January 2016. Management estimates that the impact of this change will not be material to the Group
- **UK bank levy**  
A phased reduction in the rate at which the UK bank levy is charged on qualifying liabilities is introduced. The current rates of 0.21 per cent for short term liabilities and 0.105 per cent for long term liabilities will be gradually reduced over the next 6 years. The rates applicable from 1 January 2021 will be 0.10 per cent for short term liabilities and 0.05 per cent for long term liabilities. In addition, the scope of the bank levy will be restricted to the balance sheet of UK operations only from 2021 onwards. The restriction of scope is currently in the process of consultation

### 16. Restatement of prior year

#### Earnings per share

On 3 November 2015, the Group announced the issue of 728,432,451 new ordinary shares by way of rights to qualifying shareholders at 465 pence per share. The issue was made as two shares for every seven held on 18 November 2015. As required by International Accounting Standard 33 – *Earnings per Share* (IAS 33) the Group has adjusted the 2014 basic, diluted, normalised basic and normalised diluted earnings per share for the bonus element included within the rights issue.

|  | As reported in 2014<br>cents | Restatement<br>Adjustment factor | Restated<br>cents |
|--|------------------------------|----------------------------------|-------------------|
| Basic earnings per ordinary share              | 102.2                        | 1.051                            | 97.3              |
| Diluted earnings per ordinary share            | 101.6                        | 1.051                            | 96.7              |
| Normalised basic earnings per ordinary share   | 145.9                        | 1.051                            | 138.9             |
| Normalised diluted earnings per ordinary share | 145.1                        | 1.051                            | 138.1             |

#### Dividend per share

The dividend per share amounts in the table below have been adjusted for the bonus element included within the 2015 rights issue in line with the restatement of prior period earnings per share amounts required by IAS 33.

|  | As reported in 2014<br>cents | Restatement<br>Adjustment factor | Restated<br>Cents |
|--|------------------------------|----------------------------------|-------------------|
| Dividend per share – Final dividend 2013   | 86.00                        | 1.051                            | 81.9              |
| Dividend per share – Interim dividend 2014 | 28.80                        | 1.051                            | 27.4              |
| Dividend per share – Final dividend 2014   | 86.00                        | 1.051                            | 81.9              |
| Dividend per share – Interim dividend 2015 | 14.40                        | 1.051                            | 13.7              |

## Standard Chartered PLC - Notes to the financial statements continued

### 17. Dealings in Standard Chartered PLC listed securities

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.

| Number of shares                              | 1995 Trust       |           | 2004 Trust     |           | Total            |           |
|---|------------------|-----------|----------------|-----------|------------------|-----------|
|   | 2015             | 2014      | 2015           | 2014      | 2015             | 2014      |
| Shares purchased during the year              | <b>6,448,053</b> | 4,090,094 | <b>439,906</b> | 1,306,188 | <b>6,887,959</b> | 5,396,282 |
| Market price of shares purchased (\$ million) | <b>63</b>        | 84        | <b>5</b>       | 26        | <b>68</b>        | 110       |
| Shares held at the end of the year            | <b>4,861,846</b> | 5,291,941 | <b>137,850</b> | -         | <b>4,999,696</b> | 5,291,941 |
| Maximum number of shares held during the year |                  |           |                |           | <b>7,517,013</b> | 7,808,099 |

### 18. Corporate governance

The directors confirm that the Group has complied with all of the provisions set out in the UK Corporate Governance Code 2014 during the year ended 31 December 2015, subject to Peter Sands not seeking re-election at the 2015 Annual General Meeting (AGM). This was a conscious decision following the announcement, made prior to the AGM, that Peter would step down from the Board on 10 June 2015, shortly after the AGM. We have complied with the code provisions of the Hong Kong Corporate Governance Code (Appendix 14 of the Hong Kong Listing Rules), save that the Board Risk Committee, instead of the Audit Committee, is responsible for the oversight of internal control (other than internal control over financial reporting) and risk management systems (Code provision C.3.3 (f), (g) and (h) of Appendix 14). The Group's governance structure of a separate Audit Committee and Board Risk Committee complies with recent amendments to the above provisions which apply to the Group's accounting period from 1 January 2016. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit Committee. The Group confirms that it has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than required by Appendix 10 of the Hong Kong Listing Rules and that the directors of the Company have complied with the required standards of the adopted code of conduct.

### 19. 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 2015 were approved by the Board on 23 February 2016. These accounts will be published on the Company's website on 23 February 2016 and posted to shareholders on 24 March 2016 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.



## Standard Chartered PLC – Shareholder information

### Preference dividend and interest payment dates

| Preference shares   | 1st half yearly dividend | 2nd half yearly dividend |
|---|--------------------------|--------------------------|
| 7 <sup>3</sup> / <sub>8</sub> per cent Non-cumulative irredeemable preference shares of £1 each | 1 April 2016             | 1 October 2016           |
| 8 <sup>1</sup> / <sub>4</sub> per cent Non-cumulative irredeemable preference shares of £1 each | 1 April 2016             | 1 October 2016           |
| 6.409 per cent Non-cumulative redeemable preference shares of \$5 each                          | 30 January 2016          | 30 July 2016             |
| 7.014 per cent Non-cumulative redeemable preference shares of \$5 each                          | 30 January 2016          | 30 July 2016             |

### Annual general meeting

The annual general meeting (AGM) will be held at 11.00 am London time (6.00 pm Hong Kong time) on Wednesday 4 May 2016 at etc.venues, 200 Aldersgate, St Paul's, London, EC1A 4HD. Details of the business to be transacted at the AGM are included in the Notice of AGM 2016.

Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website at <http://investors.sc.com> on 4 May 2016.

### Interim results

The interim results will be announced to the London Stock Exchange, the Stock Exchange of Hong Kong, the Bombay Stock Exchange and put on the Company's website.

### Country-by-Country Reporting

In accordance with the requirements of the Capital Requirements (Country-by-Country) Regulations 2013, the Group will publish additional country-by-country information in respect of the year ended 31 December 2015, on or before 31 December 2016. This information will be available on the Group's website at [www.sc.com](http://www.sc.com). We have also published our approach to tax and tax policy.

### ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and receive your dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information please visit our website at <http://investors.sc.com/en/resource.cfm> or contact the shareholder helpline on 0370 702 0138.

### Previous dividend payments (Unadjusted for the impact of the 2010/2008 rights issue)

| Dividend and financial year | Payment date    | Dividend per ordinary share                           | Cost of one new ordinary share under share dividend scheme |
|-----------------------------|-----------------|---|--|
| Interim 2005                | 14 October 2005 | 18.94c/10.7437p/HK\$1.46911                           | £11.878/\$21.3578  |
| Final 2005                  | 12 May 2006     | 45.06c/24.9055p/HK\$3.49343                           | £14.2760/\$24.77885  |
| Interim 2006                | 11 October 2006 | 20.83c/11.14409p/HK\$1.622699                         | £13.2360/\$25.03589  |
| Final 2006                  | 11 May 2007     | 50.21c/25.17397p/HK\$3.926106                         | £14.2140/\$27.42591  |
| Interim 2007                | 10 October 2007 | 23.12c/11.39043p/HK\$1.794713                         | £15.2560/\$30.17637  |
| Final 2007                  | 16 May 2008     | 56.23c/28.33485p/HK\$4.380092                         | £16.2420/\$32.78447  |
| Interim 2008                | 9 October 2008  | 25.67c/13.96133p/HK\$1.995046                         | £14.00/\$26.0148   |
| Final 2008                  | 15 May 2009     | 42.32c/28.4693p/HK\$3.279597                          | £8.342/\$11.7405   |
| Interim 2009                | 8 October 2009  | 21.23c/13.25177p/HK\$1.645304                         | £13.876/\$22.799   |
| Final 2009                  | 13 May 2010     | 44.80c/29.54233p/HK\$3.478306                         | £17.351/\$26.252   |
| Interim 2010                | 5 October 2010  | 23.35c/14.71618p/HK\$1.811274/INR0.984124             | £17.394/\$27.190   |
| Final 2010                  | 11 May 2011     | 46.45c/28.272513p/HK\$3.623404/INR1.9975170*          | £15.994/\$25.649   |
| Interim 2011                | 7 October 2011  | 24.75c/15.81958125p/HK\$1.928909813/INR1.13797125*    | £14.127/\$23.140   |
| Final 2011                  | 15 May 2012     | 51.25c/31.63032125p/HK\$3.9776083375/INR2.6667015*    | £15.723/\$24.634   |
| Interim 2012                | 11 October 2012 | 27.23c/16.799630190p/HK\$2.111362463/INR1.349803950*  | £13.417/\$21.041   |
| Final 2012                  | 14 May 2013     | 56.77c/36.5649893p/HK\$4.4048756997/INR2.976283575*   | £17.40/\$26.28792  |
| Interim 2013                | 17 October 2013 | 28.80c/17.8880256p/HK\$2.233204992/INR1.6813*         | £15.362/\$24.07379   |
| Final 2013                  | 14 May 2014     | 57.20c/33.9211444p/HK\$4.43464736/INR3.354626*        | £11.949/\$19.815   |
| Interim 2014                | 20 October 2014 | 28.80c/17.891107200p/HK\$2.2340016000/INR1.671842560* | £12.151/\$20.207   |
| Final 2014                  | 14 May 2015     | 57.20c/37.16485p/HK\$4.43329/INR3.514059*             | £9.797/\$14.374  |
| Interim 2015                | 19 October 2015 | 14.40c/9.3979152p/HK\$1.115985456/INR0.86139372*      | £8.5226/\$13.34383   |

\*The INR dividend is per Indian Depository Receipt

## Standard Chartered PLC – Shareholder information continued

### Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell, and uses the proceeds to support UK charities. Further information can be obtained from the Company's Registrars or from ShareGift on 020 7930 3737 or from [www.ShareGift.org](http://www.ShareGift.org). There is no implication for Capital Gains Tax (no gain or loss) when you donate shares to charity, and UK taxpayers may be able to claim income tax relief on the value of their donation.

### Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account. Please register online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or contact our registrar for a mandate form.

### Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the UK register, please contact our registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 7ZY shareholder helpline number 0370 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. You can check your shareholding at: [www.computershare.com/hk/investors](http://www.computershare.com/hk/investors).

If you hold Indian Depository Receipts and you have enquiries, please contact Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032

### Chinese translation

If you would like a Chinese version of the 2015 Annual Report and Accounts please contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本年報之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心17M樓。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of the Annual Report and Accounts, the English text shall prevail.

### Taxation

Information on taxation applying to dividends paid to you if you are a shareholder in the United Kingdom, Hong Kong or the US will be sent to you with your dividend documents.

### Electronic communications

If you hold your shares on the UK register and in future you would like to receive the Annual Report and Accounts electronically rather than by post, please register online at: [www.investorcentre.co.uk](http://www.investorcentre.co.uk). Then click on Register and follow the instructions. You will need to have your Shareholder or ShareCare reference number when you log on. You can find this on your share certificate or ShareCare statement. Once registered you can also submit your proxy vote and dividend election electronically, and change your bank mandate or address information.

### Forward-looking statements

It is possible that this document could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group.

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group.

Except as required by any applicable regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer or solicitation of any securities, or any advice or recommendation with respect to any securities, in any jurisdiction.

## Standard Chartered PLC – Shareholder information continued

*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>*

*For further information please contact:*

*James Hopkinson, Investor Relations*

*+44 20 7885 7151*

*Edwin Hui, Investor Relations, Hong Kong*

*+852 2820 3050*

*Jon Tracey, Media Relations*

*+44 20 7885 7613*

*Further information for the Full Year Results 2015 will be available on our website:*

*2015 Annual Report and Accounts*

*An investor presentation in pdf format*

*A live and on demand audio webcast of the investor and analyst presentation in London with Q&A*

*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>*